



# 好孩子

好孩子中国控股有限公司  
Goodbaby China Holdings Limited

(incorporated in the Cayman Islands with limited liability)  
Stock Code: 6186

Global Offering



Sole Sponsor

Morgan Stanley

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley

BOC INTERNATIONAL

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## IMPORTANT

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*If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.*



# 好孩子

## Goodbaby China Holdings Limited

### 好孩子中国控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

#### GLOBAL OFFERING

<b>Number of Offer Shares under the Global Offering</b>	<b>: 333,340,000 Shares (subject to the Over-allotment Option)</b>
<b>Number of Hong Kong Offer Shares</b>	<b>: 33,334,000 Shares (subject to adjustments)</b>
<b>Number of International Offer Shares</b>	<b>: 300,006,000 Shares (subject to adjustments and the Over-allotment Option)</b>
<b>Maximum Offer Price</b>	<b>: HK\$3.76 per Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)</b>
<b>Nominal value</b>	<b>: HK\$0.0000001 per Share</b>
<b>Stock code</b>	<b>: 6186</b>

*Sole Sponsor*

## Morgan Stanley

*Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers*

Morgan Stanley

 BOC INTERNATIONAL

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Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, 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 document.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Underwriters' Representative (on behalf of the Underwriters) and our Company on or around February 3, 2016 and, in any event, not later than February 11, 2016. The Offer Price will be not more than HK\$3.76 per Share and is currently expected to be not less than HK\$2.68 per Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$3.76 per Share for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$3.76 per Share.

If, for any reason, the Offer Price is not agreed by February 11, 2016 between the Underwriters' Representative (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Underwriters' Representative (on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range stated in this prospectus (which is HK\$2.68 to HK\$3.76) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.goodbabychina.com](http://www.goodbabychina.com). Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscriptions for, the Hong Kong Offer Shares, are subject to termination by the Underwriters' Representative (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

January 28, 2016

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- Latest time for completing electronic applications under  
**White Form eIPO** service through the designated  
website [www.eipo.com.hk](http://www.eipo.com.hk)<sup>(2)</sup> . . . . . 11:30 a.m. on Tuesday, February 2, 2016
- Application lists open<sup>(3)</sup> . . . . . 11:45 a.m. on Tuesday, February 2, 2016
- Latest time for lodging **WHITE** and **YELLOW**  
Application Forms . . . . . 12:00 noon on Tuesday, February 2, 2016
- Latest time for completing payment of **White Form**  
**eIPO** applications by effecting internet banking  
transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Tuesday, February 2, 2016
- Latest time for giving electronic application instructions  
to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on Tuesday, February 2, 2016
- Application lists close . . . . . 12:00 noon on Tuesday, February 2, 2016
- Expected Price Determination Date<sup>(5)</sup> . . . . . Wednesday, February 3, 2016
- (1) Announcement of the Offer Price, the level of  
indications of interest in the International Offering,  
the level of applications in the Hong Kong Public  
Offering and basis of allocation of the Hong Kong  
Offer Shares under the Hong Kong Public Offering  
to be published in the South China Morning Post  
(in English) and the Hong Kong Economic Times  
(in Chinese) on or before . . . . . Thursday, February 11, 2016
- (2) Results of allocations in the Hong Kong Public  
Offering (with successful applicants' identification  
document numbers, where appropriate) to be  
available through a variety of channels as described  
in the section headed "How to Apply for Hong  
Kong Offer Shares—11. Publication of Results" in  
this prospectus . . . . . Thursday, February 11, 2016
- (3) A full announcement of the Hong Kong Public  
Offering containing (1) and (2) above to be  
published on the website of the Stock Exchange at  
[www.hkexnews.hk](http://www.hkexnews.hk) and our website at  
[www.goodbabychina.com](http://www.goodbabychina.com) from . . . . . Thursday, February 11, 2016
- Results of allocations in the Hong Kong Public Offering  
will be available at [www.iporeresults.com.hk](http://www.iporeresults.com.hk) with a  
"search by ID" function from . . . . . Thursday, February 11, 2016



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## EXPECTED TIMETABLE<sup>(1)</sup>

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Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before<sup>(6)</sup> . . . . . Thursday, February 11, 2016

Dispatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before.. . . . Thursday, February 11, 2016

Dealings in the Shares on the Stock Exchange expected to commence on . . . . . Friday, February 12, 2016

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*Notes:*

- (1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in section headed “Structure of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, February 2, 2016, the application lists will not open on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Wednesday, February 3, 2016 and, in any event, not later than Thursday, February 11, 2016. If, for any reason, the Offer Price is not agreed by Thursday, February 11, 2016 between the Underwriters’ Representative (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, February 11, 2016 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Friday, February 12, 2016. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.

**The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.**



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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by Goodbaby China Holdings Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters' Representative, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering. Information on websites and mobile applications mentioned in this prospectus does not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are China’s largest omni-channel specialty retailer for MBC Products and one of China’s leading sales platforms among all retailers selling MBC Products, each as measured by total retail sales value in 2014, according to Frost & Sullivan. We accounted for a 1.17% market share in China’s MBC Product retail market in 2014, in terms of total retail sales value in 2014, according to the same source. We have adopted a robust and adaptable business model focusing on “BOOM”:

- *Brand Strategy and Portfolio.* We differentiate ourselves from other MBC Product retailers with the strong and strategic partnership relationships we have with our brand companies, from which we source the branded products we sell. We have built an outstanding portfolio of MBC Product brands, which as of the Latest Practicable Date primarily included Goodbaby Brands and 11 leading international sports & leisure brands.
- *Online.* We are China’s largest online specialty retailer for MBC Products and a leading retailer among all retailers selling MBC Products online in China, each as measured by total online retail sales value in 2014, according to Frost & Sullivan. We accounted for a 1.65% market share in China’s online MBC Product retail market in 2014, in terms of total online retail sales value in 2014, according to the same source. Our online sales channels include (i) self-operated online retail sales channels, such as sales through our own web-based sales platform and our flagship stores on third-party online platforms, (ii) online key accounts’ retail platforms, such as JD, and (iii) authorized third-party online retailers.
- *Offline.* We are China’s largest offline specialty retailer for MBC Products, in terms of number of self-operated stores as of December 31, 2014 and total offline retail sales value in 2014, according to Frost & Sullivan. We accounted for a 4.71% market share among all of China’s offline MBC Product specialty retailers in 2014, in terms of total offline retail sales value in 2014, according to the same source. As of October 31, 2015, we had 2,046 self-operated stores, which, together with stores operated by our authorized third-party offline retailers and offline distributors, covered all 31 provinces in China. We have highly replicable and scalable offline sales formats, such as Kids Station and Goodbaby e-Family. We also sell products through other offline sales channels such as supermarkets and hypermarkets and third-party maternity and childcare specialty stores. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our offline sales network contributed approximately 94.8%, 84.8%, 78.0% and 77.6% of our revenue from continuing operations, respectively.



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## SUMMARY

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- *Mobile.* To complement our sales network, we offer products under selected brands directly to end-customers through our mobile application, mamahao (媽媽好). Since launching mamahao (媽媽好) in August 2015, we have rapidly attracted over 913,000 users who have downloaded and registered it, and over 797,000 transactions had been made through it as of the Latest Practicable Date. In addition to supporting our mobile sales, we use mamahao (媽媽好) to integrate our extensive online and offline sales network. Leveraging our highly integrated supply chain and efficient IT infrastructure, which integrates our proprietary POS, DRP, SCRM and WMS systems, we have centralized management of our inventory and sales channels across our offline and online sales network.

### **Our Relationship with the GBI Group**

We were demerged from the GBI Group in 2010 pursuant to the De-merger Agreement. GCCL, our subsidiary, acquired certain businesses from GCPC that were excluded and demerged from the GBI Group which primarily involved, at the time of the de-merger, retail and distribution of MBC Products (including durable juvenile and non-durable MBC Products) and the manufacturing, design and R&D of non-durable MBC Products, which has since been operated by GCCL. The Company is an authorized non-exclusive distributor of the durable juvenile products manufactured by the GBI Group in the PRC. The GBI Group was one of our top five suppliers and accounted for approximately 32.2%, 32.6%, 37.0% and 29.4% of our total purchases for the years ended December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively.

Our business primarily involves (i) the retail and distribution of MBC Products (including durable juvenile and non-durable MBC Products) under our omni-channel sales platform; and (ii) to a much lesser extent, the product design, brand management and research and development of non-durable MBC Products (primarily including apparel for babies and children), but the production of our apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB has been outsourced to selected OEM contractors in China. The GBI Group focuses on the business of durable juvenile products involving the manufacturing, design and R&D of such products. The GBI Group has a distinctive business from our Group and does not form part of our Group.

As of the Latest Practicable Date, our Controlling Shareholders, Mr. Song, our chairman and executive Director, and Ms. Fu, our executive Director and CEO and the spouse of Mr. Song, were deemed to be collectively and indirectly interested in approximately 23.49% of the entire issued share capital of GBI for the purpose of Part XV of the SFO. Mr. Song is the executive director of the GBI Group and Mr. Liu, our non-executive Director, is the chief financial officer of the GBI Group.

We and the GBI Group use different categories of the same “Goodbaby” and “Happy Dino” trademarks under the Goodbaby Brands in connection with our respective business operations following the de-merger of our Group from the GBI Group in 2010. Pursuant to the De-merger Agreement and the De-merger Supplemental Agreement, the GBI Group will transfer certain categories of the “Goodbaby” and “Happy Dino” trademarks that are related to our business operations and within our business scope, including the sourcing, distribution and retail of MBC Products and the manufacturing, design and R&D of non-durable MBC Products (which amounts to 164 registered trademarks and two trademark applications), to our Group as part of the de-merger of the GBI Group.

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## SUMMARY

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The GBI Group authorized us to exclusively use the De-merger Trademarks before the completion of the Trademark Transfer without any royalty or licensing fee and agreed to waive all rights or claims (if any) with respect to the De-merger Trademarks retrospectively from the date of the De-merger Agreement. As of the Latest Practicable Date, the Trademark Transfer was still in progress.

Please refer to the section headed “Relationship with the GBI Group” in this prospectus for details of the different aspects of our relationship with the GBI Group.

### **Our Brand Portfolio**

We have successfully built a portfolio of highly recognized and trusted domestic and international brands, primarily including (i) the Goodbaby Brands, comprising “Goodbaby”, “Happy Dino”, “Cybex”, “CBX” and “Family by GB”, and (ii) 11 leading international sports & leisure brands including Nike, Adidas, Skechers, PUMA, Converse, GEOX, The North Face, Clarks, Reebok and Columbia. In addition to sourcing MBC Products from our brand companies, we design, develop and distribute apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB. Through our omni-channel sales platform, we provide our end-customers with easy access to our well-curated assortment of MBC Products under these brands anytime, anywhere. We offer a broad spectrum of trendy MBC Products ranging from apparel and footwear for babies and children; to durable juvenile products such as strollers, car seats, cribs, furniture, child seats and electronic toy cars; and further to maternity and baby care products.

In addition, we have established a joint venture with Mothercare UK, Mothercare-Goodbaby JV, in which we hold 70% equity interest, to operate Mothercare Brands stores and sell MBC Products under the Mothercare Brands in China as authorized by Mothercare UK and relevant third-party brand companies. As of the Latest Practicable Date, Mothercare Brands comprised Mothercare, ELC and the third-party brands that MGRL is authorized to distribute in China or sources from their authorized distributors in China. To supplement its procurement from Mothercare UK, Mothercare-Goodbaby JV also sources certain products under the third-party brands that MGRL is authorized to distribute in China or sources from their authorized distributors in China from time to time.

Despite operating in China’s highly competitive and fragmented MBC Product retail market and a slowdown in growth in China’s retail industry, we recorded encouraging same-store sales growth at our Comparable Stores during the Track Record Period. The average revenue of Comparable Stores for all brands increased by 10.8% in 2013 compared to 2012, increased by 5.4% in 2014 compared to 2013, and increased by 3.8% in the ten months ended October 31, 2015 compared to the same period of 2014. The average revenue of Comparable Stores for the sports & leisure brands increased by 17.3% in 2013 compared to 2012, increased by 5.4% in 2014 compared to 2013, and increased by 8.0% in the ten months ended October 31, 2015 compared to the same period of 2014.

## SUMMARY

### OUR OMNI-CHANNEL SALES PLATFORM

Omni-channel retailing is characterized by its integrated inventory management, sales channel management and customer management across online sales channels, offline retail stores and mobile applications. Our omni-channel sales platform includes multiple online and offline sales channels. The following table provides a breakdown of our sales channels as of the dates indicated, which represents (1) as to our self-operated online retail and offline retail channels, the number of our online sales platforms and offline stores, respectively; and (2) as to the remaining sales channels, the number of operators of these channels. The following table also provides a breakdown of our revenue from continuing operations derived from these sales channels for the periods indicated.

Sales Channels	As of	As of December 31,			As of
	January 1,	2012	2013	2014	October 31,
	2012	2012	2013	2014	2015
<i>Online</i>					
Self-operated online retail <sup>(1)</sup>	4	5	8	12	12
Online key accounts' retail	—	3	3	4	7
Authorized third-party online retail	—	19	58	110	145
<i>Offline</i>					
Self-operated offline retail <sup>(2)</sup>	1,265	1,471	1,632	1,908	2,046
Offline others <sup>(3)</sup>	711	720	929	1,092	1,247

Revenue from continuing operations	Year Ended December 31,						Ten Months Ended October 31,			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>Online</i>										
Self-operated online retail	54,961	2.9	170,881	7.4	324,295	10.6	226,100	9.0	257,351	8.6
Online key accounts' retail	28,251	1.5	62,476	2.7	130,346	4.3	93,104	3.7	155,134	5.2
Authorized third-party online retail	15,930	0.8	118,973	5.1	219,508	7.1	155,572	6.3	258,251	8.6
	99,142	5.2	352,330	15.2	674,149	22.0	474,776	19.0	670,736	22.4
<i>Offline</i>										
Self-operated offline retail <sup>(2)</sup>	1,250,226	64.9	1,482,095	63.8	1,766,987	57.7	1,511,893	60.4	1,781,662	59.3
Offline others <sup>(3)</sup>	574,671	29.9	489,470	21.0	622,186	20.3	514,647	20.6	548,538	18.3
	1,824,897	94.8	1,971,565	84.8	2,389,173	78.0	2,026,540	81.0	2,330,200	77.6
<b>Total</b>	<b>1,924,039</b>	<b>100.0</b>	<b>2,323,895</b>	<b>100.0</b>	<b>3,063,322</b>	<b>100.0</b>	<b>2,501,316</b>	<b>100.0</b>	<b>3,000,936</b>	<b>100.0</b>

*Notes:*

- Includes (i) our own web-based sales platform, haohaizi.com and (ii) our flagship stores on third-party online platforms, including Tmall and Dangdang. Self-operated online retail also includes cn.mothercare.com, the web-based sales platform of Mothercare UK in China.
- Includes stores operated by us and located within department stores and shopping malls and stores at street level. For department stores, we typically sell Goodbaby Brands products in arrangements where we have several separate outlets within a single department store; these arrangements are counted as one store. In addition to revenue from our self-operated offline stores, our self-operated offline retail segment's revenue includes revenue generated from our offline sales promotion events organized by our headquarters and branch offices.



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## SUMMARY

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- (3) Includes authorized third-party offline retailers, operators of third-party maternity and childcare specialty stores, operators of supermarkets and hypermarkets and offline distributors. In addition to revenue generated from these third-party retailers and distributors, our offline others segment's revenue also includes revenue generated from other offline customers.

Our online sales network has grown rapidly and substantially since its inception. In 2012, 2013 and 2014, our self-operated online retail sales channels had approximately 170,000, 450,000 and 717,000 active customers, respectively. In addition, our self-operated online retail sales channels had approximately 499,000 and 606,000 active customers in the ten months ended October 31, 2014 and 2015, respectively. To deliver a more integrated shopping experience, we launched mamahao (媽媽好) in August 2015 for pilot operation in six cities. Mamahao (媽媽好) is fully integrated with our information technology platform, providing our end-customers with location-based services, personalized product recommendations and consistent quality customer services.

We generated a significant portion of our revenue from continuing operations from our offline sales network during the Track Record Period. We have established an extensive nationwide offline sales network consisting of:

- *Self-operated stores.* As of December 31, 2012, 2013 and 2014 and October 31, 2015, we operated 1,471, 1,632, 1,908 and 2,046 self-operated stores, respectively;
- *Authorized third-party offline retailers and third-party maternity and childcare specialty stores.* As of December 31, 2012, 2013 and 2014 and October 31, 2015, we engaged a total of 461, 627, 741 and 846 third-party retailers to operate (i) 262, 360, 469 and 497 authorized third-party offline retailers' stores and (ii) 323, 601, 985 and 994 third-party maternity and childcare specialty stores, respectively, for the sales of products under Goodbaby Brands and the sports & leisure brands;
- *Supermarkets and hypermarkets.* We sell durable juvenile products and maternity and baby care products under the Goodbaby Brands directly to supermarkets and hypermarkets on a wholesale basis, and we also sell these products through supermarkets and hypermarkets under concession arrangements. As of December 31, 2012, 2013 and 2014 and October 31, 2015, we had sales arrangements with 56, 58, 50 and 50 operators of supermarkets and hypermarkets, respectively;
- *Offline distributors.* As of December 31, 2012, 2013 and 2014 and October 31, 2015, we had 203, 244, 301 and 351 offline distributors, respectively, for the distribution of maternity and baby care products under the Goodbaby Brands; and
- Other offline customers, primarily those who sell infant and baby formula and use our products as promotional gifts.

## SUMMARY

The following table sets forth our revenue from continuing operations by brand type and each brand type's contribution to our total revenue from continuing operations for the periods indicated:

Brand	For the year ended December 31,						For the ten months ended October 31,			
	2012		2013		2014		2014		2015	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%
	(unaudited)									
Goodbaby Brands and others <sup>(1)</sup>	1,095,915	57.0	1,235,436	53.2	1,681,220	54.9	1,346,599	53.9	1,550,855	51.7
Goodbaby Brands	962,959	50.0	1,235,436	53.2	1,677,978	54.8	1,344,852	53.8	1,541,832	51.4
- Durable juvenile products	575,430	29.9	724,891	31.2	970,474	31.7	767,631	30.7	883,640	29.5
- Apparel for babies and children and maternity and babycare products	387,529	20.1	510,545	22.0	707,504	23.1	577,221	23.1	658,192	21.9
Other brands	132,956	7.0	—	—	3,242	0.1	1,747	0.1	9,023	0.3
Sports & leisure brands	692,271	36.0	863,391	37.2	1,070,640	35.0	894,215	35.7	1,194,683	39.8
Mothercare Brands <sup>(2)</sup>	135,853	7.0	225,068	9.6	311,462	10.1	260,502	10.4	255,398	8.5
<b>Total</b>	<b>1,924,039</b>	<b>100.0</b>	<b>2,323,895</b>	<b>100.0</b>	<b>3,063,322</b>	<b>100.0</b>	<b>2,501,316</b>	<b>100.0</b>	<b>3,000,936</b>	<b>100.0</b>

*Notes:*

- (1) Includes our sales of products under the Goodbaby Brands; brands of products sold by our joint ventures (other than Mothercare-Goodbaby JV) starting from 2014; and a third-party brand, for which we ceased to be a distributor beginning from October 2012.
- (2) Includes sales of products under the Mothercare Brands by Mothercare-Goodbaby JV.

The following table sets forth our revenue from continuing operations by product category and each product category's contribution to our total revenue from continuing operations for the periods indicated:

Product category	For the year ended December 31,						For the ten months ended October 31,			
	2012		2013		2014		2014		2015	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%
	(unaudited)									
Durable juvenile products <sup>(1)</sup>	636,988	33.1	815,686	35.1	1,114,169	36.3	882,331	35.3	993,786	33.1
Non-durable products <sup>(2)</sup>	594,780	30.9	644,818	27.7	878,513	28.7	724,770	29.0	812,467	27.1
Sports products <sup>(3)</sup>	692,271	36.0	863,391	37.2	1,070,640	35.0	894,215	35.7	1,194,683	39.8
<b>Total</b>	<b>1,924,039</b>	<b>100.0</b>	<b>2,323,895</b>	<b>100.0</b>	<b>3,063,322</b>	<b>100.0</b>	<b>2,501,316</b>	<b>100.0</b>	<b>3,000,936</b>	<b>100.0</b>

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## SUMMARY

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*Notes:*

- (1) Includes our sales of durable juvenile products under the Goodbaby Brands and the Mothercare Brands.
- (2) Includes our sales of apparel, footwear, accessories and maternity and baby care products under the Goodbaby Brands and the Mothercare Brands.
- (3) Includes our sales of apparel, footwear and accessories under the sports & leisure brands.

### OUR SUPPLIERS

Our suppliers include brand companies and OEM contractors. In general, we use distributorship agreements to purchase MBC Products from our brand companies. For the apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB, we outsource the production of these products to selected OEM contractors in China. Our collaboration with OEM contractors allows us to focus on key stages of the production life cycle, such as research and development, brand promotion and management and sales and distribution. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, purchases from our five largest suppliers in aggregate accounted for approximately 89.1%, 84.5%, 80.1% and 77.3% of our total purchase, respectively, and purchases from our largest supplier accounted for approximately 48.8%, 43.5%, 37.0% and 35.6% of our total purchase, respectively.

### OUR COMPETITIVE STRENGTHS

We believe that the following strengths have been critical to our success and position us for significant growth:

- China's largest omni-channel specialty retailer for MBC Products;
- Customer-oriented business model that encompasses our differentiated brand strategy and our omni-channel sales platform;
- Outstanding e-commerce operational capabilities capitalizing on China's extensive online retail growth opportunities;
- China's largest offline MBC Product specialty sales network, as the cornerstone of our omni-channel sales platform;
- Solid operational capabilities supported by proprietary IT systems; and
- Visionary founders and highly experienced management team.



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## SUMMARY

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### OUR STRATEGIES

Our goal is to continue to consolidate our leading position in China's MBC Product retail industry and further expand our coverage to other products that we believe will appeal to our current end-customers. To achieve this goal, we plan to implement the following strategies:

- Continue to strengthen our omni-channel sales platform with an aim to maximize economic benefits across our entire sales network;
- Strengthen our big data analysis capabilities;
- Enhance our order-fulfillment infrastructure;
- Promote and improve our own Goodbaby retailing brand image to drive increased sales and enhance profitability; and
- Selectively pursue strategic alliances and acquisitions.

### SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2014 and 2015. We have derived this summary information from our consolidated financial information set forth in the Accountants' Report in Appendix I to this prospectus. The summary below should be read together with our consolidated financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in the section headed "Financial Information" in this prospectus.

## SUMMARY

### Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth, for the periods indicated, our consolidated results of operations.

	For the year ended December 31,			For the ten months ended October 31,	
	2012	2013	2014	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (unaudited)	RMB ('000)
<b>CONTINUING OPERATIONS</b>					
Revenue . . . . .	1,924,039	2,323,895	3,063,322	2,501,316	3,000,936
Cost of sales . . . . .	(1,051,993)	(1,275,511)	(1,737,383)	(1,405,400)	(1,651,288)
Gross profit . . . . .	872,046	1,048,384	1,325,939	1,095,916	1,349,648
Other income and gains . . . . .	9,615	23,742	17,907	14,171	35,785
Selling and distribution expenses . . .	(700,867)	(849,503)	(1,068,798)	(881,005)	(1,021,579)
Administrative expenses . . . . .	(104,287)	(119,389)	(119,079)	(94,241)	(109,019)
Other expenses . . . . .	(20,752)	(9,651)	(10,682)	(9,828)	(9,566)
Finance costs . . . . .	(12,679)	(19,524)	(20,637)	(18,110)	(16,065)
<b>Profit before tax from continuing operations . . . . .</b>	<b>43,076</b>	<b>74,059</b>	<b>124,650</b>	<b>106,903</b>	<b>229,204</b>
Income tax credit/(expense) . . . . .	46,435	(15,048)	(27,789)	(23,378)	(55,003)
<b>Profit for the year/period from continuing operations . . . . .</b>	<b>89,511</b>	<b>59,011</b>	<b>96,861</b>	<b>83,525</b>	<b>174,201</b>
<b>DISCONTINUED OPERATION . . . . .</b>					
<b>Loss for the year/period from a discontinued operation . . . . .</b>	<b>(30,229)</b>	<b>(35,922)</b>	<b>(55,068)</b>	<b>(46,595)</b>	<b>(72,454)</b>
<b>Profit for the year/period . . . . .</b>	<b>59,282</b>	<b>23,089</b>	<b>41,793</b>	<b>36,930</b>	<b>101,747</b>
<b>Attributable to:</b>					
- Owners of the parent . . . . .	65,331	26,305	45,865	39,961	109,061
- Non-controlling interests . . . . .	(6,049)	(3,216)	(4,072)	(3,031)	(7,314)
	<u>59,282</u>	<u>23,089</u>	<u>41,793</u>	<u>36,930</u>	<u>101,747</u>

We had an accumulated loss of RMB192.0 million as of January 1, 2012 due to losses generated from the Mama's Goodbaby business, which we entered into an agreement with a third party to dispose of on March 10, 2015. Before being disposed of by us, the Mama's Goodbaby business sold MBC Products under various third-party brands and was part of the business of SGCP. We recorded the results of operations of the Mama's Goodbaby business as a discontinued operation during the Track Record Period. Please see "History, Reorganization and Corporate Structure—Reorganization—Acquisition of SGCP by GCCL from Mr. Song and Ms. Fu", "Business—Our Omni-channel Sales Platform—Our Offline Sales Network", "Financial Information—Description of Selected Line Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income—Discontinued Operation" and Note 13 to "Appendix I—Accountants' Report" to this prospectus for more information. We achieved significant growth and made considerable profits during the Track Record Period, primarily because we successfully developed an omni-channel sales network and significantly expanded its scale, achieved significant increases in sales of our own

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## SUMMARY

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Goodbaby-branded products (particularly maternity and baby care products), reached economies of scale and significantly increased our online sales (both of which led to decreases in our operating expenses as a percentage of our revenue from continuing operations), and improved our stores' operating efficiency (as evidenced by the same-store sales growth at our Comparable Stores during the Track Record Period). Other factors that contributed to our growth in net profit in the Track Record Period included government grants and, in 2012, a tax credit. We recorded significant government grants, being RMB3.3 million, RMB12.9 million, RMB10.3 million and RMB26.2 million in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. We recorded a tax credit of RMB46.4 million in 2012, which contributed in large part to our net profit of RMB43.6 million in the same year. We recognized a tax credit in 2012 primarily because we recognized a deferred tax credit of RMB49.5 million and tax losses utilized of RMB17.0 million, which were primarily with respect to the Discontinued Operation. These factors were offset in part by tax losses not recognized and expenses not deductible for tax purposes.

### Summary Consolidated Statements of Financial Position

	As of December 31,			As of October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Total current assets . . . . .	1,000,581	1,316,161	1,416,740	1,618,892
Total current liabilities . . . . .	1,256,511	1,235,681	1,304,240	1,307,474
Net current (liabilities)/assets . . . . .	(255,930)	80,480	112,500	311,418
Total assets less current liabilities . . . . .	(34,562)	296,395	347,634	521,146
Net (liabilities)/assets . . . . .	(84,260)	216,309	294,401	400,123
Equity attributable to owners of the parent . . .	(105,405)	193,166	237,810	347,979
Non-controlling interests . . . . .	21,145	23,143	56,591	52,144
Total equity . . . . .	(84,260)	216,309	294,401	400,123

Our net current liabilities of RMB255.9 million as of December 31, 2012 were primarily due to significant amounts due to related parties of RMB617.8 million. These amounts due to related parties included primarily an RMB476.6 million amount due to GBHL, which related primarily to our consideration for purchases of subsidiaries from GBHL in 2010 and non-interest bearing advances from GBHL to us. See also discussions on reasons for this net current liabilities position in “Financial Information—Liquidity and Capital Resources—Net Current Assets and Liabilities” on page 246 of this prospectus.

## SUMMARY

### Key Financial Ratios

	For the year ended December 31,			For the ten months ended October 31,	
	2012	2013	2014	2014	2015
	Growth of revenue <sup>(1)</sup> . . . . .	N/A	20.8%	31.8%	N/A
Growth of profit before tax <sup>(2)</sup> . . . . .	N/A	71.9%	68.3%	N/A	114.4%
Gross profit margin <sup>(3)</sup> . . . . .	45.3%	45.1%	43.3%	43.8%	45.0%
PBT from continuing operations margin <sup>(4)</sup> . .	2.2%	3.2%	4.1%	4.3%	7.6%
Adjusted PBT from continuing operations margin <sup>(5)</sup> . . . . .	2.1%	2.6%	3.7%	3.9%	6.8%
Profit from continuing operations margin <sup>(6)</sup> .	4.7%	2.5%	3.2%	3.3%	5.8%
Adjusted profit from continuing operations margin <sup>(7)</sup> . . . . .	4.5%	2.0%	2.8%	3.0%	4.9%
Return on equity <sup>(8)</sup> . . . . .	N/A <sup>(9)</sup>	35.0%	16.4%	N/A	35.2% <sup>(10)</sup>
Return on assets <sup>(11)</sup> . . . . .	5.3%	1.7%	2.6%	N/A	7.0% <sup>(10)</sup>
Interest coverage <sup>(12)</sup> . . . . .	4.4x	4.8x	7.0x	6.9x	15.3x
Same-store sales growth <sup>(13)</sup> for all brands . .	N/A	10.8%	5.4%	N/A	3.8%
Same-store sales growth <sup>(13)</sup> for sports & leisure brands . . . . .	N/A	17.3%	5.4%	N/A	8.0%

	As of December 31,			As of October 31,	
	2012	2013	2014	2015	
	Current ratio <sup>(14)</sup> . . . . .	0.8x	1.1x	1.1x	1.2x
Quick ratio <sup>(15)</sup> . . . . .	0.3x	0.4x	0.4x	0.5x	
Net debt-to-equity ratio <sup>(16)</sup> . . . . .	N/A <sup>(9)</sup>	126.1%	96.1%	75.4%	

*Notes:*

- (1) Equals revenue from continuing operations for the current period divided by revenue from continuing operations for the prior period and multiplied by 100%.
- (2) Equals profit before tax from continuing operations for the current period divided by profit before tax from continuing operations for the prior period and multiplied by 100%.
- (3) Equals gross profit from continuing operations for the period divided by revenue from continuing operations for that period and multiplied by 100%.
- (4) Equals profit before tax from continuing operations for the period divided by revenue from continuing operations for that period and multiplied by 100%.
- (5) Equals profit before tax from continuing operations for the period (less the amount of government grants for that period) divided by revenue from continuing operations for that period and multiplied by 100%.
- (6) Equals profit from continuing operations for the period divided by revenue from continuing operations for that period and multiplied by 100%.

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## SUMMARY

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- (7) Equals profit from continuing operations for the period (less the amount of government grants for that period) divided by revenue from continuing operations for that period and multiplied by 100%.
- (8) Equals profit for the period (inclusive of the Discontinued Operation) divided by the average of the beginning and ending total equity for that period and multiplied by 100%.
- (9) This number is not meaningful as we had negative total equity of RMB158.4 million as of January 1, 2012 and RMB84.3 million as of December 31, 2012.
- (10) This is an annualized number (6/5x the amount for the ten months) based on the profit for the ten months ended October 31, 2015, and hence may not be comparable to the ratio numbers based on the full-year profit for 2012, 2013 or 2014.
- (11) Equals profit for the period (inclusive of the Discontinued Operation) divided by the average of the beginning and ending total assets for that period and multiplied by 100%.
- (12) Equals profit before finance costs and income tax expense for the period divided by finance costs for that period, in all cases from continuing operations, and multiplied by 100%.
- (13) Equals average revenue of Comparable Stores for the current period divided by average revenue of Comparable Stores for the prior period, in all cases from continuing operations, and multiplied by 100%.
- (14) Equals current assets divided by current liabilities as at the respective financial period-end date.
- (15) Equals current assets less inventories and divided by current liabilities as at the respective financial period-end date.
- (16) Equals total interest-bearing bank borrowings less cash and cash equivalents divided by total equity as at the respective financial period-end date and multiplied by 100%.

Our PBT from continuing operations margin increased from 2.2% in 2012 to 3.2% in 2013, 4.1% in 2014 and 7.6% in the ten months ended October 31, 2015. These increases in our PBT from continuing operations margin were primarily because we reached economies of scale and significantly increased our online sales during the Track Record Period, both of which led to decreases in our operating expenses as a percentage of our revenue from continuing operations. The growth in our PBT from continuing operations margin from 4.3% in the ten months ended October 31, 2014 to 7.6% in the same period of 2015 was also due to an increase in our gross profit margin for continuing operations in these same periods. See “Financial Information—Results of Operations” for more information. Our relatively lower same-store sales growth (in terms of increases in average revenue of our Comparable Stores) for all brands and for sports & leisure brands in 2014 and the ten months ended October 31, 2015, as compared to 2013, was primarily due to a slowdown in growth in China’s retail industry. In addition to this slowdown in industry growth, our relatively lower same-store sales growth (in terms of increases in average revenue of our Comparable Stores) for all brands and for sports & leisure brands in 2014 was also because certain of our brand companies adjusted their product supplies, which adversely affected sales of some of our Comparable Stores in 2014. These factors were offset in part by an increase in our same-store sales growth (in terms of increases in average revenue of our Comparable Stores) for Goodbaby Brands in 2014, as we achieved synergies with an increasing number of Goodbaby Brands stores selling multiple categories of MBC Products instead of a single category of MBC Products. In addition, our relatively lower same-store sales growth (in terms of increases in average revenue of our Comparable Stores) for all brands in the ten months ended October 31, 2015 was also affected in part by the slower replenishment timing of inventory of certain imported MBC Products.

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## SUMMARY

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### OUR SHAREHOLDING STRUCTURE

#### Our Controlling Shareholders

Immediately after the completion of the Global Offering (but taking no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), our direct Shareholders, namely PUD, CAEL, SGIL and ROSL, will own approximately 19.42%, 18.00%, 16.69% and 11.33%, respectively, of the issued share capital of our Company. Our Controlling Shareholders, Mr. Song, who is also our chairman and our executive Director, and Ms. Fu, our executive Director, our CEO and the spouse of Mr. Song, will together form a group of Controlling Shareholders through their respective interests in PUD, CAEL, SGIL and ROSL (all of which being investment holding entities) and are deemed to be collectively interested in approximately 65.44% of the entire issued share capital of our Company in aggregate. For Mr. Song's and Ms. Fu's background, please refer to the paragraph headed "Directors and Senior Management—Board of Directors—Executive Directors" in this prospectus.

Immediately following the completion of the Reorganization, other than the business carried out and conducted by our Group (the "**Group Business**"), our Controlling Shareholders had a collective interest of approximately 23.49% in GBI through their interest in PUD as of the Latest Practicable Date. The GBI Group focuses on the durable juvenile products business i.e. the business of manufacturing, design and R&D of durable juvenile products (the "**Retained Business**"), which do not form part of our Group. Our Controlling Shareholders, Mr. Song and Ms. Fu through their aggregate 66.66% in SGIL also collectively hold an indirect equity interest of approximately 33.33% in an OEM diaper manufacturing business (the "**Other Retained Business**").

Our Directors are of the view that no competition exists between the Group Business, the Retained Business and Other Retained Business. Although we are the authorized non-exclusive distributor of the durable juvenile products manufactured by the GBI Group in the PRC, the GBI Group is only one of our many authorized suppliers and we are not dependent on the supply of products from the GBI Group on third-party branded products. In addition, we have not been involved in any dealings with, and are capable to carry on the Group Business independently of, the Other Retained Business.

To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any shares or interest, or otherwise be involved in any business which may be in competition with our businesses. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.



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## SUMMARY

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### **Pre-IPO Share Option Scheme**

On January 15, 2015, the Company adopted the Pre-IPO Share Option Scheme. As of the Latest Practicable Date, our Company had a total of 9,800,000 share options outstanding (representing approximately 0.73% of the issued share capital of our company immediately after the Global Offering and assuming the over-allotment option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) to 46 individuals who are employees, consultants and other contributors of our Group. None of the grantees under the Pre-IPO Share Option Scheme is a Director, a member of the senior management of our Group or a connected person of our Company. As of the Latest Practicable Date, the exercise price for the Pre-IPO Share Options are RMB3.48 per Share. Assuming full exercise of the Pre-IPO Share Options, there would be no dilutive effect on the earnings per Share for each of the years ended December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2015.

Please refer to the paragraph headed “Statutory and General Information—D. Other Information—2. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus for details.

### **Pre-IPO Investments**

In 2015, SGIL entered into various sale and purchase agreements with, amongst others, VLVL, WAWA, FTHL and COOP, respectively. Pursuant to which, SGIL transferred 42,779,658 Shares, 11,752,874 Shares, 11,494,253 Shares and 11,494,253 Shares to each of VLVL, WAWA, FTHL and COOP at consideration of RMB 148,873,211, RMB 40,900,000, RMB 40,000,000 and RMB 40,000,000, respectively. The transfers of Shares were completed between March and April 2015. Our Directors are of the view that our Company can benefit from the Pre-IPO Investors’ commitment to our Company and their investments demonstrate their confidence in our operations and serve as an endorsement of our performance, strength and prospects.

Please refer to the section headed “History, Reorganization and Corporate Structure—Reorganization—Pre-IPO Investments” in this prospectus for details.

### **DIVIDEND POLICY**

As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of our Directors. We may declare dividends in the future after taking into account our results of operations and earnings, our capital requirements and surplus, our general financial condition, contractual restrictions, and other factors as our Directors may deem relevant at such time. We declared no dividends during the Track Record Period. Subject to the limitations described above and in the section headed “Financial Information—Dividend Policy”, our Directors expect that we may pay dividends from time to time in an aggregate amount of not less than 30% of profits attributable to owners of our Company. Any future declaration of dividends may or may not reflect our prior declarations of dividends.

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## SUMMARY

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### RECENT DEVELOPMENTS

In the eleven months ended November 30, 2015, our revenue from continuing operations was RMB3,328.5 million, which increased compared to the same period of 2014. Our Directors are responsible for the preparation of our unaudited consolidated management accounts for the eleven months ended November 30, 2015 in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants. Our consolidated management accounts for the eleven months ended November 30, 2015 are unaudited but have been reviewed by our Company’s reporting accountants, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by Hong Kong Institute of Certified Public Accountants.

We consolidated SGCP, based on a series of contractual arrangements, in the years ended December 31, 2012, 2013 and 2014 and the period from January 1, 2015 to September 17, 2015. On September 17, 2015, we terminated these contractual arrangements, and Mr. Song and Ms. Fu transferred the entire equity interest in SGCP to us.

With a view to developing a new line of mobile application sales business, in April 2015, we entered into a joint venture agreement with Great Bliss Holdings Limited (jointly-owned by several founding members of mamahao (媽媽好), the family member of one of the founding members and an Independent Third Party), Pacquita Limited (a member of the GBI Group) and Grow Thrive Limited (owned by one of our Pre-IPO Investors and an Independent Third Party), pursuant to which the respective parties agreed to incorporate new offshore intermediate holding companies and to establish an operating company, MAMA, in Kunshan, PRC. Upon incorporation, MAMA became an indirectly wholly-owned subsidiary of PREF and on September 18, 2015, PREF allotted and issued shares to the respective entities to the joint venture agreement. As a result of these share issues, our equity interest in PREF decreased to 55.10%.

We opened 38 new self-operated stores in November 2015. The average revenue of Comparable Stores for all brands and for sports & leisure brands increased by 3.4% and 8.1%, respectively, in the eleven months ended November 30, 2015 compared to the same period of 2014.

In December 2015, we borrowed a long-term bank loan with a principal amount of RMB50 million and an interest rate of 4.75% for a term of two years for working capital purposes.

The Directors confirm that there has been no material adverse change in our financial or trading position since October 31, 2015 and no event has occurred since October 31, 2015 that would materially and adversely affect the information in “Appendix I—Accountants’ Report” starting from page I-1 to this prospectus.

### LISTING EXPENSES

We incurred RMB15.9 million of listing expenses during the Track Record Period, among which RMB4.0 million was recognized as prepayments and RMB11.9 million was recognized as expenses. We expect to incur approximately RMB55.3 million of listing expenses (including an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares) after the Track Record

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## SUMMARY

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Period, of which approximately RMB2.1 million will be capitalized and RMB6.2 million will be recognized as expenses for the year ended December 31, 2015 and RMB26.6 million will be capitalized and RMB20.4 million will be recognized as expenses for the year ending December 31, 2016.

### USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming the Over-allotment Option is not exercised and an Offer Price of HK\$3.22 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$989.1 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 30.0%, or HK\$296.8 million, will be used to expand our offline sales network by increasing the number of our self-operated stores.
- approximately 25.0%, or HK\$247.3 million, will be used to selectively pursue strategic alliances and acquisitions of businesses, assets and technologies, which complement our existing capabilities and revenue streams and to expand our omni-channel sales network.
- approximately 22.0%, or HK\$217.6 million, will be used to finance the capital expenditures required in connection with the enhancement of our supply chain management and the upgrade of our IT infrastructure.
- approximately 13.0%, or HK\$128.6 million, will be used to promote our brands and to develop, introduce and promote our apparel and maternity and baby care products.
- the remaining amount of approximately 10.0%, or HK\$98.8 million, will be used for working capital and other general corporate purposes.

Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

### RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and industry, (ii) risks relating to doing business in China, and (iii) risks relating to the Global Offering. Among these risks, we believe the following to be relatively material:

- Failure to maintain good relationships with or secure competitive terms from brand companies may materially and adversely affect our profitability, business and prospects;
- Our sales depend on the popularity of the brands and products we offer, as well as customer preferences and spending patterns;
- If we fail to retain our existing relationships with our third-party retailers and distributors or if we fail to establish relationships with additional third-party retailers and distributors, our results of operations may be negatively impacted;

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## SUMMARY

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- We may not be able to continue to successfully expand our product-offering and brand portfolio; and
- We may not be able to compete effectively with other retailers and distributors in the highly competitive MBC Product retail industry.

A detailed discussion of all the risk factors involved are set forth in the section headed “Risk Factors” starting on page 35 of this prospectus and you should read the whole section carefully before you decide to invest in the Offer Shares.

### GLOBAL OFFERING STATISTICS<sup>(1)</sup>

	Based on an Offer Price of HK\$2.68 per Share	Based on an Offer Price of HK\$3.76 per Share
Market capitalization <sup>(2)</sup> . . . . .	HK\$3,573.4 million	HK\$5,013.4 million
Unaudited pro forma adjusted net tangible assets per Share <sup>(3)</sup> . . . . .	HK\$0.89	HK\$1.15

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*Notes:*

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 333,340,000 Shares expected to be issued immediately following the completion of the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in “Appendix IIA—Unaudited Pro Forma Financial Information” to this prospectus and on the basis that 1,333,340,000 Shares are issued and outstanding immediately following the completion of the Global Offering.

### PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2015

<b>Estimated consolidated profit from continuing operations<sup>(1)</sup> . . . . .</b>	<b>Not less than RMB200.4 million (approximately HK\$236.5 million)</b>
<b>Less:</b>	
Loss for the year from a discontinued operation <sup>(2)</sup> . . . . .	RMB74.8 million (approximately HK\$88.3 million)
<b>Estimated consolidated profit and total comprehensive income<sup>(1)</sup> . . . . .</b>	<b>Not less than RMB125.6 million (approximately HK\$148.2 million)</b>

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*Notes:*

- (1) The bases and assumptions on which the above profit estimate has been prepared are summarized in Appendix IIB to this prospectus. The Directors have prepared the estimated consolidated profit from continuing operations and the estimated consolidated profit and total comprehensive income for the year ended December 31, 2015 based on the audited consolidated results of the Group for the ten months ended October 31, 2015 and the unaudited consolidated results based on the management accounts of the Group for the two months ended December 31, 2015. The profit estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of Section II of the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.
- (2) Under HKFRSs, gains or losses arising from the Discontinued Operation are included in the period in which they arise.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

“active customer”	for a specified period, means a customer that made at least one purchase on the self-operated online retail sales channels during this period
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Applications Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of the Company conditionally adopted on January 6, 2016 which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“baby soothing toys”	toys that calm and soothe babies to make them relax and fall asleep (usually with soothing music or graphic), such as stuffed animal toys, crib slumber mobiles and projection or musical mobiles
“Board” or “Board of Directors”	our board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAEL”	Cayey Enterprises Limited, a company incorporated in the BVI on February 1, 2008 and a wholly-owned subsidiary of Grappa Holdings Limited
“CAGR”	compound annual growth rate, calculated as $\left(\frac{V_{(t_n)}}{V_{(t_0)}}\right)^{\frac{1}{t_n - t_0}} - 1$ , $V_{(t_0)}$ : start value, $V_{(t_n)}$ : finish value, $t_n - t_0$ : number of years
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “the Company” or “our Company”	Goodbaby China Holdings Limited (好孩子中国控股有限公司), an exempted company incorporated in the Cayman Islands on July 30, 2012 under the Cayman Companies Law with limited liability
“Comparable Stores”	Our offline self-operated stores that had been in operation for at least 12 months as of January 1 of a particular period
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	means Mr. Song and Ms. Fu
“COOP”	Coop Investment Company Ltd., a company incorporated in the BVI, is wholly owned by Shanghai Yuanwai Investment Management Partnership Enterprise* (上海遠外投資管理合夥企業(有限合夥)) and one of our Pre-IPO Investors
“Covenanting Controlling Shareholder(s)”	means Controlling Shareholders, CAEL, Grappa Holdings Limited, SGIL, ROSL, PUD and Golden Phoenix Limited
“CRFH”	CRF Holdings Limited, a company incorporated in the BVI and the then indirect wholly-owned subsidiary of our Group prior to the Reorganization



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## DEFINITIONS

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“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Dangdang”	the online retailer doing business through the website dangdang.com and the corresponding mobile application
“Deed of Non-Competition”	the deed of non-competition dated January 21, 2016 given by Mr. Song and Ms. Fu in favor of our Company, details of which are disclosed in the subsection headed “Relationship with Our Controlling Shareholders—Non-competition Undertakings” in this prospectus
“De-merger Agreement”	the de-merger agreement dated April 6, 2010 entered into between GCPC and the legal representatives of GCCL, under which certain businesses of GCPC were demerged from the GBI Group and transferred to GCCL
“Director(s)”	director(s) of our Company
“DRP”	distribution resource planning system
“durable juvenile products”	long-lasting hardware products for external use and are intended for use or that may be reasonably expected to be used by children. Such products include cribs, car seats, strollers, bicycles, tricycles and others
“EIT Law”	collectively, the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which became effective as of January 1, 2008 and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which became effective as of January 1, 2008
“ERWL”	Era Will Limited (嘉時有限公司), a company incorporated in Hong Kong on February 27, 2015 and our indirect non wholly-owned subsidiary through our 55.1% interest in PREF
“ETHL”	Etechnology Holdings Limited, a company incorporated in the BVI and the then indirect wholly-owned subsidiary of our Group prior to the Reorganization
“Exchange Participant”	a person: (a) who, in accordance with the Rules of the Exchange, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange

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## DEFINITIONS

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“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
“Frost & Sullivan Report”	an industry report commissioned by us and prepared by Frost & Sullivan
“FTHL”	Fine Time Holdings Limited (上時控股有限公司), a company incorporated in the BVI, is jointly owned by nine individuals and is one of our Pre-IPO Investors
“GBHK”	Goodbaby (Hong Kong) Limited (好孩子(香港)有限公司) (formerly known as Wellfounded Developments Limited (長基發展有限公司)), a company incorporated in Hong Kong on July 23, 1999
“GBHL”	G-Baby Holdings Limited, a company incorporated in the BVI on September 22, 2005
“GBI”	Goodbaby International Holdings Limited (好孩子國際控股有限公司) (Stock Code: 1086), an exempted company with limited liability incorporated in the Cayman Islands on July 14, 2000, whose shares are listed on the Main Board of the Stock Exchange; as of the Latest Practicable Date, our Controlling Shareholders have a collective interest of approximately 23.49% in GBI through their interest in PUD
“GBI Group”	Goodbaby International Holdings Limited and its subsidiaries
“GCCL”	Goodbaby (China) Commercial Co., Ltd.* (好孩子(中國)商貿有限公司), a wholly foreign-owned enterprise established in the PRC on June 11, 2010 and our indirect wholly-owned subsidiary
“GCFY”	Goodbaby (Fuyang) Commercial Company Limited* (好孩子(阜陽)商貿有限公司), a company established in the PRC on January 27, 2014, our indirectly non wholly-owned subsidiary and is owned as to 51% by GCCL and 49% by Anhui Guoguo Children Products Sales Company Limited* (安徽果果兒童用品銷售有限公司), an Independent Third Party other than its interest in GCFY
“GCHL”	Goodbaby (China) Commercial Holdings Limited (好孩子(中國)商貿控股有限公司), a company incorporated in Hong Kong on May 6, 2010 and our indirect wholly-owned subsidiary

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## DEFINITIONS

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“GCPC”	Goodbaby Children Products Co., Ltd.* (好孩子兒童用品有限公司), a wholly foreign-owned enterprise established in the PRC
“GCQD”	Goodbaby (Qingdao) Commercial Company Limited* (好孩子(青島)商貿有限公司), a company established in the PRC on May 20, 2014, our indirectly non wholly-owned subsidiary and is owned as to 51% by GCCL and 49% by Mr. Zhang Benjin (張本金), an Independent Third Party other than his interest in GCQD
“GCSQ”	Goodbaby (Shangqiu) Commercial Company Limited* (好孩子(商丘)商貿有限公司), a company established in the PRC on March 26, 2014, our indirectly non wholly-owned subsidiary and is owned as to 51% by GCCL and 49% by Henan Shangqiu Zhuoran Children Products Co., Ltd.* (河南商丘卓然兒童用品有限公司), an Independent Third Party other than its interest in GCSQ
“GDP”	gross domestic product (except as otherwise specified, all references to GDP growth rates are to real, as opposed to nominal, rates of GDP growth)
“GGCL”	Goodbaby Group Co. Ltd., formerly known as Jiangsu Goodbaby Group Company Limited, the major founding shareholder of the GBI Group
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Golden Phoenix Trust”	a foreign discretionary revocable trust established on December 7, 2015 under the laws of Guernsey with Ms. Fu as the settlor of the trust and Credit Suisse Trust Limited as the trustee for the purpose of holding the interest on trust for its beneficiaries
“Goodbaby Brands”	include brands namely “Goodbaby”, “Happy Dino”, “Cybex”, “CBX” and “Family by GB”
“Goodbaby e-Family”	multi-brand stores for MBC Products under the Goodbaby Brands
“Grappa Trust”	a revocable discretionary trust established under the laws of Singapore with Mr. Song and Ms. Fu as the settlors and Credit Suisse Trust Limited as the trustee for the purpose of holding the interest on trust for its beneficiaries

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## DEFINITIONS

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“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“GRTC”	Kunshan Goodbaby Retailing Technology Co., Ltd, a company established in the PRC and the then indirect wholly-owned subsidiary of our Group prior to the Reorganization
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards, including all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 33,334,000 Shares being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offering by the Company of initially 33,334,000 Shares for subscription by the public in Hong Kong (subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus) for cash at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting—Hong Kong Underwriters” in this prospectus

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## DEFINITIONS

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“Hong Kong Underwriting Agreement”	the underwriting agreement dated January 27, 2016 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Covenanted Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters as further described in the section headed “Underwriting—Underwriting Arrangements and Expenses” in this prospectus
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“International Offer Shares”	the 300,006,000 Shares being initially offered by our Company pursuant to the International Offering for subscription at the Offer Price together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Offering”	the offering of the International Offer Shares by the International Underwriters at the Offer Price, outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around February 3, 2016 by, among others, the Joint Global Coordinators, the International Underwriters, the Controlling Shareholders named therein and the Company in respect of the International Offering, as further described in the section headed “Underwriting—Underwriting Arrangements and Expenses—The International Offering” in this prospectus
“JD”	the online retailer doing business through the website jd.com and the corresponding mobile application

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## DEFINITIONS

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“Joint Bookrunners” or “Joint Global Coordinators” or “Joint Lead Managers”	Morgan Stanley Asia Limited and BOCI Asia Limited
“Kids Station”	multi-brand stores for apparel and footwear products for babies and children under the sports & leisure brands
“Latest Practicable Date”	January 18, 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around February 12, 2016, on which the Shares are listed and from which dealings therein are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“MAMA”	Mommy Best Technology Co., Ltd.* (昆山媽媽好網絡技術有限公司), a wholly foreign-owned enterprise established in the PRC on July 23, 2015 and our indirect non wholly-owned subsidiary through our 55.1% interest in PREF
“MBC Product(s)”	maternity, baby and children’s product(s)
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on January 6, 2016 and as amended from time to time
“MGCR”	Mothercare-Goodbaby China Retail Limited (formerly known as Dillion Enterprises Limited), a company incorporated in Hong Kong on May 18, 2007, our indirectly non wholly-owned subsidiary and is owned as to 70% by RCBL and 30% by Mothercare HK.



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## DEFINITIONS

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“MGRL”	Mothercare-Goodbaby Retailing Co. Ltd. (好孩子好媽咪零售有限公司), a wholly foreign-owned enterprise established in the PRC on September 13, 2007 and our indirectly non-wholly owned subsidiary through our 70% indirect interest in MGCR
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MJSL”	Majestic Sino Limited, a company incorporated in the BVI on November 28, 2008 and a directly wholly-owned subsidiary of our Company
“Mothercare Brands”	include Mothercare, ELC and the third-party brands that MGRL is authorized to distribute in China or sources from their authorized distributors in China
“Mothercare HK”	Mothercare International (Hong Kong) Limited, a company incorporated in Hong Kong on March 22, 2007 and is wholly-owned by Mothercare UK
“Mothercare-Goodbaby JV”	MGCR and its subsidiaries
“Mothercare UK”	Mothercare UK Limited, the sole shareholder of Mothercare HK
“Mr. Liu”	Mr. Liu Tongyou (劉同友), our non-executive Director
“Mr. Song”	Mr. Song Zhenghuan (宋鄭還), our co-founder, Controlling Shareholder, Chairman and executive Director, and the spouse of Ms. Fu
“Mr. Wang”	Mr. Wang Haiye (王海燁), the nephew of Mr. Song
“Ms. Fu”	Ms. Fu Jingqiu (富晶秋), our co-founder, Controlling Shareholder, CEO and executive Director, and the spouse of Mr. Song
“Ms. Kobler”	Ms. Sharon Nan Kobler, our executive Director and the daughter of Ms. Fu
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Board
“non-durable MBC Products”	non-durable maternity, baby and children products such as apparel and footwear for babies and children and maternity and baby care products, including diapers, pacifiers, bottles, tableware, toiletries, baby wipers and others

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## DEFINITIONS

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“Non-PRC Resident Enterprise”	as defined under the current PRC income tax laws, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
“NTFS”	Goodbaby Nantong Fashion Limited* (好孩子南通服飾有限公司), a company established in the PRC on March 19, 2015, our indirectly non wholly-owned subsidiary and is owned as to 80% by GCCL and 20% by Ms. Li Xiaofeng (李曉鳳), an employee of NTFS
“OEM”	an original equipment manufacturer, a company that manufactures a product in accordance with its customer’s designs which ultimately will be branded by its customer for sale
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$3.76 and expected to be not less than HK\$2.68, at which the Hong Kong Offer Shares are to be subscribed for, and to be determined in the manner further described in the section headed “Structure of the Global Offering—Pricing and Allocation” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“online key accounts”	operators of third-party online B2C platforms, such as JD
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Underwriters’ Representative (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 50,001,000 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	People’s Bank of China (中國人民銀行), China’s central bank

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## DEFINITIONS

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“PINN”	Pinnacle Century Limited, a company incorporated in the Independent State of Samoa on January 12, 2015 and our indirect non wholly-owned subsidiary through our 55.1% interest in PREF
“POS”	electronic funds transfer system at point of sale
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
“PREF”	Prefect Horizon Limited (美景有限公司), a company incorporated in the Cayman Islands on January 6, 2015 and a 55.1% non wholly-owned subsidiary of our Company
“Pre-IPO Investments”	the pre-IPO investments in our company as set out in the section headed “History, Reorganization and Corporate Structure — Reorganization — Pre-IPO Investments” in this prospectus
“Pre-IPO Investors”	VLVL, WAWA, FTHL and COOP
“Pre-IPO Share Option(s)”	option(s) granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by our Company pursuant to a resolution passed by our then Shareholders on January 15, 2015, the principal terms of which are set out in the paragraph headed “Statutory and General Information—D. Other Information—2. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus
“Price Determination Agreement”	the agreement to be entered into by the Underwriters’ Representative (on behalf of the Underwriters) and the Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about February 3, 2016 (Hong Kong time) on which the Offer Price is determined, or such later time as the Underwriters’ Representative (on behalf of the Underwriters) and we may agree, but in any event no later than February 11, 2016
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“province”	includes provinces, and provincial-level municipalities and autonomous regions of China

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## DEFINITIONS

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“PUD”	Pacific United Developments Limited, a company incorporated in the BVI on May 16, 2002 and is owned as to approximately 51.19% by CAEL, approximately 12.37% by Powergain Global Limited, approximately 9.69% by Lexidirect Corporation, and approximately 26.75% by other 126 shareholders who hold their shares individually
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“QMCP”	Qingdao Maicheche Children Products Company Limited* (青島麥車車兒童用品有限公司), a company established in the PRC on September 1, 2010 and a directly wholly-owned subsidiary of GCQD
“RCBL”	Richy Bright Limited (裕輝有限公司), a company incorporated in the BVI on August 20, 2007 and a directly wholly-owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the reorganization arrangements undergone by our Group in preparation for the Listing as described in the section headed “History, Reorganization and Corporate Structure” in this prospectus
“RMB” or “Renminbi”	the lawful currency of the PRC
“ROSL”	Rosy Phoenix Limited, a company incorporated in the Independent State of Samoa on September 3, 2013 and indirectly wholly-owned by Credit Suisse Trust Limited as the trustee of the Golden Phoenix Trust
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SAT”	State Administration of Taxation of the PRC (國家稅務總局)

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## DEFINITIONS

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“SCRM”	social customer relationship management system
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGCP”	Shanghai Goodbaby Children Products Company Limited* (上海好孩子兒童用品有限公司), a limited company established in the PRC on March 7, 2001 and our indirect wholly-owned subsidiary
“SGIL”	Sure Growth Investments Limited, a company incorporated in the BVI on April 20, 2000 and is owned as to 44.44% by Mr. Song, 22.22% by Ms. Fu, 16.67% by Mr. Wang, 11.11% by Mr. Liu and 5.56% by Mr. Michael Nan Qu, an Independent Third Party other than as a shareholder of SGIL
“Share(s)”	ordinary shares in the capital of our Company with nominal value of HK\$0.0000001 each
“Shareholder(s)”	holder(s) of our Shares
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on January 6, 2016 for the benefit of the employees, Directors, customers and suppliers of our Group, business or joint venture partners and certain advisers of our Group and their respective employees, a summary of the principal terms of which is set forth in the section headed “Statutory and General Information—D. Other information—1. Share Option Scheme” in Appendix IV to this prospectus
“SHFS”	Shanghai Goodbaby Children Fashion Company Limited* (上海好孩子兒童服飾有限公司), a limited company established in the PRC on January 20, 1998 and is owned as to 25% by GCHL and 75% by GCCL
“SIML”	Silvermount Limited, a company incorporated in the Independent State of Samoa and is wholly-owned by Mr. Liu
“SKU”	stock-keeping unit, a unique identifier for each distinct product, as distinguished by style, size and color, that can be purchased
“Sole Sponsor”	Morgan Stanley Asia Limited

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## DEFINITIONS

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“sports & leisure brands”	11 international sports & leisure brands, including Nike, Adidas, Skechers, PUMA, Converse, GEOX, The North Face, Clarks, Reebok and Columbia
“Stabilizing Manager”	Morgan Stanley Asia Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Taiwan”	Taiwan, the Republic of China
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“third-party retailers and distributors”	our online key accounts, authorized third-party online retailers, authorized third-party offline retailers, third-party maternity and childcare specialty stores, supermarkets and hypermarkets and offline distributors
“Tmall”	the online retailer doing business through the website tmall.com and the corresponding mobile application
“Track Record Period”	the period comprising the three financial years ended December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2015
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriters’ Representative”	Morgan Stanley Asia Limited
“Underwriting Agreements”	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
“U.K.”	the United Kingdom of Great Britain and Northern Ireland
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States



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## DEFINITIONS

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“VAT”	value-added tax
“VLVL”	Victor Lead Ventures Limited (凱利創投有限公司), an investment holding company incorporated in the BVI, is owned as to 90% by Mr. Xin Shulin (辛樹林) and 10% by Ms. Wang Li (汪鵬) and one of our Pre-IPO Investors
“WAWA”	WAWA Investment Company Ltd., an investment holding company incorporated in the BVI, is wholly-owned by Shanghai Jingmu Investment Center (Limited Partnership) and one of our Pre-IPO Investors
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name
“ <b>White Form eIPO</b> ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of <b>White Form eIPO</b> at <a href="http://www.eipo.com.hk"><u>www.eipo.com.hk</u></a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“WMS”	warehouse management system
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “consider”, “continue”, “could”, “estimate”, “expect”, “foresee”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed “Risk Factors” in this prospectus and the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- our ability to maintain a strong relationship with our brand companies and major suppliers;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;

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## FORWARD-LOOKING STATEMENTS

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- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- effect of competition on the demand for and prices of the products we offer and our ability to compete; and
- our ability to strengthen our omni-channel sales platform, including online sales channels, offline sales channels and mobile application.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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## RISK FACTORS

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*In addition to other information in this prospectus, you should carefully consider the following risk factors, which may not be typically associated with investing in equity securities of companies from other jurisdictions, before making any investment decision in relation to the Offer Shares. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of our Shares and cause you to lose part or all of the value of your investment in our Shares. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and most of our operations are conducted in China, which are governed by a legal and regulatory regime that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain related matters discussed below, please see “Regulatory Overview” and “Appendix III—Summary of the Constitution of the Company and Cayman Companies Law.”*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

*Failure to maintain good relationships with or secure competitive terms from brand companies may materially and adversely affect our profitability, business and prospects.*

We believe that the popularity and strength of the brands that we carry are critical to our success. We source products directly from brand companies, and the success of our business and our growth depend to a significant extent on our relationships with the brand companies for which we act as a distributor. The brand companies that we currently work with include the GBI Group and brand companies of well-known international sports & leisure brands such as Nike, Adidas, Skechers and Reebok. In addition, we have established a joint venture with Mothercare UK, and it sells MBC Products under the Mothercare Brands in China. Our brand companies enjoy strong bargaining power vis-à-vis their distributors, including us. If we are unable to maintain good relationships with our brand companies, we may not be able to secure competitive terms from them, and our costs may increase. In particular, we depend significantly on our ability to source products from our brand companies at favorable pricing terms, typically at a discount to the suggested retail prices. We cannot assure you that our brand companies will continue to sell products to us on commercially acceptable terms, or at all. If we are not able to source products from our brand companies at favorable pricing terms, our revenue, profit and profit margin may be materially and adversely affected.

We also may not be able to receive adequate support from our brand companies in terms of marketing and promotion of their brand names leveraging their capital and public relation resources, product development, personnel training and intellectual property. Our establishment of new stores is subject to our brand companies’ approval. In addition, our financial performance and our ability to increase our penetration in our existing markets and expand into new markets depends on our brand companies’ willingness and ability to supply sufficient quantities of products to our stores. For example, our distributorship agreement with the GBI Group includes annual caps subject to which we can procure products from the GBI Group. The inability or unwillingness of our brand companies to supply products to us at acceptable prices, or changes in the supply policies of our brand companies, could lead to a decrease in our profit. Any negative developments in our relationships with our brand companies could materially and adversely affect our business and growth prospects.

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## RISK FACTORS

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In addition, we source a substantial portion of products from a small number of brand companies, including the GBI Group and Nike. Mothercare-Goodbaby JV, a joint venture we have established with Mothercare UK, sells MBC Products under the Mothercare Brands in China. Although (i) our Controlling Shareholders held a 23.49% interest in the GBI Group as of the Latest Practicable Date, and (ii) we have entered into long-term agreements with each of these brand companies, there is no assurance that we will be able to renew these agreements on commercially acceptable terms, or at all. In addition, there is no assurance that there will not be any material dispute between us and any of these brand companies in connection with the performance of a party's obligations or the compliance with a party's responsibilities under the relevant arrangement between us and these brand companies. If our relationship with any of these brand companies deteriorates, our results of operations and prospects may be materially and adversely affected. Furthermore, the GBI Group currently owns the Goodbaby Brands (other than Family by GB), and we have limited control over their use of these brands. Although we are in the process of transferring from the GBI Group the Goodbaby and Happy Dino trademarks with respect to apparel for babies and children and maternity and baby care products, there is no assurance that this transfer will be completed in a timely manner, or at all. Any decrease in the brand equity of the Goodbaby Brands or any negative publicity associated with the GBI Group, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of the Goodbaby Brands, undermine the trust and credibility we have established and negatively affect our ability to attract new end-customers or retain our current end-customers. This would in turn materially and adversely affect our business and growth prospects. In the event that our Controlling Shareholders reduce their shares or cease to become a substantial shareholder in the GBI Group, our business relationship with the GBI Group may be adversely affected.

Furthermore, we are currently the exclusive distributor in China for some of the sports & leisure brands. If we lose our exclusive distribution rights with these brand companies, we will be subject to intensified competition and our business and results of operations may be materially and adversely affected.

Some of our distributorship agreements with brand companies have terms that limit our ability to sell products of other specified competing brands. These types of restrictions may limit our ability to maintain a portfolio of branded products that appeal to MBC Product consumers.

Our ability to maintain our existing distributorship agreements and to enter into new agreements with our brand companies is critical to the growth of our business. Our distributorship agreements with our brand companies, which generally have a term of one to five years, may be renewed based on negotiations between our brand companies and us. Factors that our brand companies may consider in these negotiations may include our sales performance during previous contract terms, our compliance with our brand companies' general policies and procedures and the distributorship agreements, our relationships with our brand companies, general market conditions and our brand companies' overall development strategies and plans. Some of these factors are beyond our control. There is no assurance that we will be able to maintain and renew our existing distributorship agreements with our brand companies on terms favorable to us, or at all.

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## RISK FACTORS

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*Our sales depend on the popularity of the brands and products we offer, as well as customer preferences and spending patterns.*

Our sales are dependent, in part, on the strength and reputation of the brands that we carry, and are subject to customer perception of the products that we sell. The substantial majority of the products that we sell are designed and produced by our brand companies, and we have very limited or no control over their design and development. The success of our operations depends in part on our brand companies' marketing and product development capabilities, our ability to source new products from our brand companies that gain customer acceptance and our ability to make available sufficient quantities of attractive and popular merchandise to satisfy customer demand. In particular, the performance of our stores is sensitive to local customer spending patterns. People in different areas of China have different shopping patterns and preferences. If our brand companies are unable to promptly respond to evolving customer demands, demand for the products we sell may decrease and our sales may be adversely and materially affected. Conversely, if we or our brand companies fail to anticipate increased customer demand for the products we sell, we may experience inventory shortages, which would result in lost sales and negatively affect our profitability.

In addition, our success depends significantly on our ability to sell products under these brands, which in turn depends on the market perception and acceptance of these brands. Negative publicity or disputes in China or overseas about these brands or their products could materially and adversely affect public perception of these brands and their products. Any significant damage to the image of any of these brands could materially and adversely affect our business, financial condition and results of operations. Furthermore, the MBC Product retail industry in China is a highly regulated industry and is subject to strict quality and safety standards. These standards are generally higher than those stipulated in many other industries, in large part due to the need to protect children from harm arising from defective products. For example, strollers and car seats for babies and children may be subject to mass recalls if there are incidents allegedly resulting in injury or death to children. If any of the products that we carry are subject to product recalls, our reputation, financial condition and results of operations may be materially and adversely affected. We believe that end-customers value MBC Product retailers with reputations for selling products that adhere to high quality and safety standards. If the products that we sell fail to adhere to quality and safety standards that meet the expectations of end-customers or if there is any negative publicity in connection with the products that we sell, the reputation of the relevant brands and brand companies may be materially adversely affected, and we may therefore lose customer orders and face product liability claims. Any negative publicity in connection with the brands we carry or the brand companies may also damage the reputation of the brands and result in a decrease in our sales.

Furthermore, changes in economic conditions affect the level of customer spending on the products we sell. Customer spending patterns are affected by, among other factors, general and local economic conditions, interest rates, inflation, taxation, government austerity measures, uncertainties about future economic prospects and shifts in discretionary spending toward other goods and services. Customer preferences, spending habits and economic conditions may differ or change from time to time in the markets in which we operate. We cannot guarantee that we will be able to maintain our historical growth rates of revenue and profit, or remain profitable, particularly if the retail environment is stagnant or declines in the event of a recession in the general economy.

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## RISK FACTORS

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*If we fail to retain our existing relationships with our third-party retailers and distributors or if we fail to establish relationships with additional third-party retailers and distributors, our results of operations may be negatively impacted.*

We are generating an increasing percentage of revenue from our sales to third-party online retailers and distributors, including online key accounts and authorized third-party online retailers. We also engage third-party offline retailers and distributors, including our authorized third-party offline retailers, supermarkets and hypermarkets, third-party maternity and childcare specialty stores and offline distributors, to sell products to end-customers. If our relationship with these third-party retailers and distributors deteriorates, or if they are otherwise unable or unwilling to conduct business with us, our business and prospects could be adversely affected. Any of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- reductions, delays or cancellations of orders from one or more of our third-party retailers or distributors;
- significant sales of our competitors' products by our third-party retailers or distributors;
- significant changes to our third-party retailers or distributors' business models, policies, systems or plans that impair or inhibit our ability to sell products to them;
- failure to renew agreements for the distribution of products and maintain relationships with our existing third-party retailers and distributors; and
- failure to establish relationships with new third-party retailers and distributors on favorable terms.

If any of the events were to occur, our business, financial condition, results of operations and cash flows may be negatively impacted.

*We may not be able to continue to successfully expand our product-offering and brand portfolio.*

We constantly seek to diversify and expand our brand and product portfolio by partnering with new brand companies through distributorship agreements or through other forms of cooperation. However, whether we will be able to establish new partnerships with new brand companies is dependent upon a number of factors, including whether there will be suitable brand companies seeking new distributors in the relevant markets, whether our distribution infrastructure and our corporate culture would be a good match with those brand companies, whether our competitors would be able to offer terms more favorable than ours and whether those brand companies may perceive that we have a conflict of interest, including as a result of our relationship with competing brands. There is no assurance that we can enter into new distributorship agreements that will support our growth.

If we partner with new brand companies, we will need to recruit more staff with expertise in managing different brands and product categories, and to enhance our operational and financial systems, internal procedures and controls. It may also require us to introduce new product categories



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## RISK FACTORS

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and work with different brand companies to address the needs of different kinds of end-customers. We may also need to develop new marketing strategies to promote these new brands and products. Our expansion into these new brands and product categories may not achieve broad customer acceptance. All of these endeavors involve risks, and require substantial planning, skillful execution and significant expenditures. There is no assurance that we will be able to recoup any investments we make in introducing these new brands and product categories.

There is no assurance that we will be able to successfully integrate new brands or product categories into our existing brand and product portfolio. The new brands or products we introduce may not be well received by our customers. We cannot assure you that any new brands or products we offer will gain market acceptance or that they will be able to generate a positive cash flow. In addition, our profitability in our new product categories, if any, may be lower than in our existing categories, which may adversely affect our overall profitability and results of operations. Furthermore, the introduction of new brands and products may adversely affect the sales of our existing product-offering and brand portfolio, and we cannot assure you that we will maintain an optimized product-offering and brand portfolio at all times. If we are not able to manage our growth or execute our strategies effectively, we may not be successful in growing our business and our business and prospects may be materially and adversely affected.

***We may not be able to compete effectively with other retailers and distributors in the highly competitive MBC Product retail industry.***

We operate in a highly competitive and fragmented industry. We face competition from other online and offline distributors and retailers in the markets in which we operate. We compete with other distributors and retailers primarily for the brand offerings, depth and breadth of sales and distribution network, customer relationships, product quality and safety, product mix, supply chain management and ability to meet consumer preferences. As we operate primarily as a non-exclusive distributor for a number of brands in our brand portfolio, we compete with other distributors and retailers for sales of products under the brands that we offer. Some of our competitors may have more financial and human resources, better access to attractive store locations, more competitive pricing strategies or closer relationships with brand companies. A number of different competitive factors could have a material adverse effect on our operational results and financial condition. Competition may lead to, among other things, less favorable terms in agreements with brand companies, higher costs for retail space and lower sales per store, all of which could have a material adverse effect on our results of operations and financial condition.

***We may not be able to successfully expand our offline sales network by increasing the number of self-operated stores.***

Our extensive offline sales network has been critical in driving our business growth and operating results. As of October 31, 2015, we had 2,046 self-operated stores across China. To further increase our market share, we plan to continue to expand the geographic coverage of self-operated stores and deepen our market penetration. We plan to open 455 self-operated stores in 2016. However,

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## RISK FACTORS

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there are a number of factors that could affect our ability to open new self-operated stores. These factors could also affect the ability of any newly opened self-operated stores to achieve sales and profitability levels comparable with our existing stores or to become profitable at all. These factors include, among other things:

- our ability to identify suitable sites and locations;
- the availability of adequate management and financial resources;
- our ability to negotiate acceptable concession or rental terms;
- our ability to maintain efficient and cost-effective operation;
- our ability to adapt our logistics and other operational and management systems to an expanded network;
- our ability to hire, train and retain skilled personnel;
- continued customer demand for the products we sell at levels that can support acceptable profit margins;
- our ability to address increasing competition in the industry;
- our ability to address fluctuations in market demand for the products we sell;
- our ability to obtain all necessary governmental and third-party consents; and
- increasing competition in the MBC Product retail industry.

Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage our workforce, including our ability to recruit qualified personnel with the necessary experience to operate new self-operated stores in the new markets that we are entering into. We cannot assure you that our personnel, procedures, systems and controls will be effectively managed to support our future growth. We also may not be able to effectively integrate any new self-operated stores into our existing operations. If we are unable to effectively manage our expansion or control rising costs associated with our expansion, our growth potential and profitability could be adversely affected.

***We may not be able to effectively manage the growth of self-operated stores.***

The success of our retail operations is dependent on a number of factors, including our ability to introduce brands and products that cater to local demands and preferences, the success of the marketing efforts by us and the brand companies, and our ability to compete with other retailers and distributors of MBC Products.

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## RISK FACTORS

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We are constantly reviewing our sales performance data, both by sales channels and by brand. We had rapidly grown our network of self-operated stores during the Track Record Period, and plan to open 455 self-operated stores in 2016. The expansion of our offline sales network is intended to benefit our growth in the long term. However, it takes time for new self-operated stores to break even and achieve the same level of profitability as more mature self-operated stores. As we expand our offline sales network by adding new self-operated stores, we may experience a decrease in average sales per store, at least initially. If new self-operated stores experience prolonged delays in breaking even or achieving our desired level of profitability, our overall profitability may be affected. In addition, whether we will be able to continue to grow our sales with our existing self-operated stores is subject to a number of factors, including the macro and local economic conditions and customer disposable income and spending patterns, the pedestrian flow of the area where self-operated stores are located and the competition that we encounter, many of which are out of our control. If we are unable to increase store sales in line with increasing costs, our overall performance and profitability will be adversely affected. For example, our same-store sales growth (in terms of increases in average revenue of our Comparable Stores) for all brands decreased from 10.8% in 2013 to 5.4% in 2014 and 3.8% in the ten months ended October 31, 2015. Our same-store sales growth (in terms of increases in average revenue of our Comparable Stores) for sports & leisure brands decreased from 17.3% in 2013 to 5.4% in 2014 and 8.0% in the ten months ended October 31, 2015. These decreases were due in part to a slowdown in growth in China's retail industry, adverse changes in product supplies from certain brand companies and slower replenishment timing of inventory of certain imported MBC Products. We cannot assure you that we will be able to maintain a relatively higher same-store sales growth in the future.

Self-operated stores are under concession or lease arrangements. As a result of rapid rent increases in China, particularly for prime locations in major cities or as a result of our competition with other businesses for these locations, we may not be able to renew the existing concession or lease arrangements for self-operated stores on commercially acceptable terms or at all. If we fail to renew these arrangements on terms commercially acceptable to us, we may need to incur additional costs in relocating self-operated stores and the replacement locations may be less attractive. These factors could adversely affect our business, results of operations and financial condition.

***We have limited control over the operations of our third-party retailers and distributors.***

We distribute a portion of the products we sell through third-party retailers and distributors. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our offline others segment contributed approximately 29.9%, 21.0%, 20.3% and 18.3% of our revenue from continuing operations, respectively. Our third-party retailers and distributors follow suggested retail prices set by the brand companies or, with respect to the apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB, us. In addition, our authorized third-party offline retailers' stores follow our standardized retail procedures, store layouts and policies in respect of marketing activities, daily operations and customer service. However, since we have limited control over their sales activities, there is no assurance that their sales activities will always be carried out according to our required quality and service standards. Although we supervise the operation of our third-party retailers and distributors, including their compliance with our designated distribution areas and retail price guidelines, there is no assurance that they will always follow our policies and guidelines. If our third-party retailers or distributors fail to operate their stores or other sales channels

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## RISK FACTORS

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in accordance with our policies and standards, our reputation and relationship with brand companies may be harmed, which in turn could have an adverse effect on our business, results of operations and financial condition. We may receive remedies from our third-party retailers or distributors under the relevant distributorship agreements for the distribution of products we sell, but there is no assurance that such remedies will be sufficient to cover all losses we may incur. In addition, there is no assurance that there will not be overstocking at our third-party retailers and distributors' stores. If our third-party retailers or distributors experience inventory over-stock, they may attempt to liquidate excessive inventory using aggressive discounts, which may damage the image and the value of the products and brands we offer. Furthermore, our third-party retailers and distributors may experience difficulties with respect to their management, operation and financial performance, which may lead to their making reduced purchases from us, which in turn would adversely affect our results of operations.

Furthermore, our third-party retailers and distributors' operation of stores or other sales channels must comply with the relevant PRC laws and regulations. If any of our third-party retailers or distributors is required to suspend or cease their operations as a result of non-compliance with the relevant PRC laws and regulations, our results of operations, market share, geographical coverage and brand image may be adversely affected.

***If we are unable to execute our O2O initiatives effectively, our business and prospects may be materially and adversely affected.***

To provide our end-customers with a more integrated shopping experience, we have implemented, and will continue to implement, a number of O2O initiatives including system integration and the launch of our mobile application, mamahao (媽媽好), in August 2015. See "Business—Our O2O Initiatives." The execution of these O2O initiatives requires substantial management time and attention and investment in technologies, logistics and other areas. The breadth of our product mix for our offline sales network as well as our online sales network (including mamahao (媽媽好)) will depend on our ability to obtain authorizations from the relevant brand companies to sell through these channels. We will also need to continue to expand, train, manage and motivate our workforce and manage our relationships with end-customers, brand companies, courier companies and other business partners and service providers. However, these initiatives may not be effectively executed, may not achieve the results we anticipate and we may not be able to recover the costs incurred. For example, the users and transactions on mamahao (媽媽好) may not grow as anticipated or at the same speed as in its initial stage. As a result, our results of operations and growth strategies could be materially and adversely affected. If we are unable to successfully implement our O2O strategies, our revenue and profitability may not grow as expected, and our competitiveness may be materially and adversely affected.

***Failure to integrate and manage our multiple sales channels may adversely affect our business and prospects.***

As China's largest omni-channel specialty retailer for MBC Products, we conduct sales through various online and offline sales channels. If we fail to balance the marketing efforts or optimize product offerings and pricing strategies among our online and offline channels, or otherwise fail to effectively integrate these channels, the competition among these channels may result in an overall decrease in our sales. For example, our use of exclusively online sales events, such as online flash

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sales, could negatively affect the offline sales of these products. In addition, although we supervise the sales activities of third-party retailers and distributors, we cannot assure you that our third-party retailers and distributors will comply with our pricing policies at all times and not try to compete using aggressive discounts, which could lead to differences in customer perception of the products we sell among our sales channels. Any of these incidents may have a material adverse effect on our results of operations and prospects.

***Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales, either of which could have a material adverse effect on our business, financial condition and results of operations.***

Maintaining optimal inventory levels is critical to the success of our business. As of December 31, 2012, 2013 and 2014 and October 31, 2015, the balance of our inventory accounted for approximately 68.3%, 59.2%, 58.7% and 56.5%, respectively, of our total current assets. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our inventory turnover days were 198.3 days, 194.3 days, 156.7 days and 156.5 days, respectively. We are exposed to inventory risks as a result of a variety of factors beyond our control, including changing consumption trends and customer preferences and launches of competing products. Moreover, for stocking purposes we generally estimate demand for the products we sell ahead of the actual time of sale. We cannot assure you that we can accurately predict these trends and events and maintain adequate levels of inventory at all times. An unexpected decrease in the market demand for the products we sell could lead to excessive inventory, and we may be forced to offer discounts or conduct promotional activities to dispose of slow-moving inventory, sometimes at prices below cost, which in turn may adversely affect our financial condition and results of operations. On the other hand, inventory under-stock may cause us to lose sales and our results of operations may also be adversely affected.

***Uncertainties relating to the growth and profitability of the online retail industry in China could adversely affect our net revenues and business prospects.***

We increasingly rely on online sales as a source of our revenue. While online retailing has existed in China since the 1990s, only recently have many online retailers become profitable. The long-term viability and prospects of various online retail business models in China remain relatively untested. The development of the online retail industry in China depends on many factors, most of which are beyond our control, including:

- the growth of Internet, broadband, personal computer and mobile penetration and usage as well as online retailing in China;
- the trust and confidence level of online shoppers in China, as well as changes in customer demographics and customer tastes and preferences;
- the selection, price and popularity of products that we and our competitors offer online;
- the emergence and development of alternative retail channels or business models that better address the needs of end-customers; and

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## RISK FACTORS

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- the development of fulfillment, payment and other ancillary services associated with online purchases.

A decline in the popularity of online shopping or any failure to improve the online shopping experience of end-customers in response to trends and customer requirements may adversely affect our sales, operations and growth prospects.

Furthermore, China's online retail industry is very sensitive to macroeconomic changes, and retail purchases tend to decline during recessionary periods. Many factors that are beyond our control can adversely affect customer confidence and spending, including inflation and deflation, volatility of stock and property markets, interest rates, tax rates and other government policies and unemployment rates, which could in turn materially and adversely affect our growth prospects and profitability.

***We have no control over our joint venture partners and any actions taken by our joint venture partners may adversely affect our joint ventures and in turn affect the operation of our Group.***

Some of our businesses are conducted through joint ventures formed by us with other joint venture partners. There can be no assurance that we will maintain our relationship with our joint venture partners or that there will not be any material disputes with them in the future. Furthermore, the joint venture partners may (a) have economic or business interests or goals that are inconsistent with ours; (b) take actions contrary to our policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfill their obligations under the joint ventures, which may affect our financial conditions or results of operations.

***We have limited flexibility on the pricing of the products we sell.***

We are typically obliged to comply with suggested retail prices set by our brand companies, and therefore have limited flexibility on the pricing of the products we sell. In addition, we may not be able to dispose of excessive inventory or slow-moving items through markdowns or promotional sales in a timely manner, or at all. As a result, our working capital requirements may increase, our sales and profits may decrease and our results of operations and financial condition may be negatively and materially affected.

***Unauthorized use of the brands we offer by third parties or allegations against us regarding the products we sell may adversely affect our business.***

We sell products primarily under the Goodbaby Brands and a portfolio of sports & leisure brands. In addition, Mothercare-Goodbaby JV, a joint venture we have established with Mothercare UK, sells MBC Products under the Mothercare Brands in China. We cannot assure you that there will be no unauthorized sales of counterfeit products under these brands. Any public perception that non-authentic or counterfeit products under these brands is widespread in China, regardless of its veracity, could damage our reputation, reduce our ability to attract new end-customers or retain our existing end-customers, and diminish the value of the brands we carry. As a result, our business and growth prospects may be materially and adversely affected.



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## RISK FACTORS

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In addition, we may be subject to allegations that some of the products sold through our online or offline sales channels are counterfeit or without authorization from the relevant brand companies. We can provide no assurance that the measures we have adopted in the course of sourcing such products to ensure their authenticity or authorization and to minimize potential liability of infringing third parties' rights will be effective. Any inadvertent sales of counterfeit, non-authentic or unauthorized items, or public perception of such incidents, could harm our reputation, impair our ability to attract and retain end-customers and cause us to incur additional costs to respond to any incident of this nature. In the event that counterfeit products, unauthorized products or products that otherwise infringe third parties' intellectual property rights are sold in our online or offline sales channels, we could also face infringement claims. In the event that we are subject to any such claim, irrespective of the validity of such claims, we could be required to allocate significant resources and incur material expenses regarding such claims. We could also be required to pay substantial damages or to refrain from the sale of relevant products in the event that the claimant prevails in such proceedings. Forms of potential liabilities under PRC law, if we negligently participated or assisted in infringement activities associated with counterfeit goods, include injunctions to cease infringing activities, rectification, compensation and administrative penalties. Moreover, our reputation could be negatively affected due to the negative publicity of any infringement claim against us. Any such claims could have a material adverse effect on our business, prospects, financial condition and results of operations.

***We may be involved in legal or other proceedings arising out of our operations, including product liability claims, from time to time and may face significant liabilities as a result.***

We are exposed to product liability claims. According to the relevant PRC laws and regulations, customers may choose to sue the retailer, the distributor, the manufacturer or the brand company for damages caused by defective products. Although we normally have recourse against others for losses caused by defective products, we may have to pay damages to the customers first before we can seek compensation or indemnification from others. If we are found to be liable for any product liability claim initiated due to, among other things, injuries caused by problems such as hidden broken needles in our apparel, toxic materials in the raw materials used in the products we sell or lack of adequate protection afforded by the products we sell, we could be subject to substantial monetary damages. Even though we have product liability insurance to cover potential liability arising from the use of the products that we sell, product liability insurance available in China offers limited coverage compared to coverage offered in many other countries. Even if we successfully defend ourselves against a claim, or successfully make compensation claims against others, we may need to spend a substantial amount of money and time in defending such a claim and in seeking compensation, which could result in significant adverse publicity against us, and could have a material adverse effect on our reputation and the marketability of the products we sell. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results. Furthermore, our reputation could be negatively affected due to any negative publicity of any quality issues with respect to the products we sell. For example, there were some negative press releases regarding the quality of the children's bicycles, strollers and baby walkers that we sold during the Track Record Period. As of the Latest Practicable Date, we had not received any complaint or been subject to any penalties or investigations in relation to these alleged quality issues. Please see "Business—Quality Control" for details of our quality control measures.



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*We may not be successful in sustaining growth in our financial performance and we may experience earnings declines or losses in the future.*

We cannot assure you that we can sustain profitability or avoid losses. We had experienced significant growth in revenue and profitability during the Track Record Period. Our revenue from continuing operations increased from RMB1,924.0 million in 2012 to RMB3,063.3 million in 2014, representing a CAGR of 26.2%, and increased by 20.0% from RMB2,501.3 million for the ten months ended October 31, 2014 to RMB3,000.9 million for the ten months ended October 31, 2015. However, there is no assurance that we will be able to maintain our historical growth rates in future periods. Our revenue growth may slow down or our revenue may decline for a number of possible reasons, including decreasing customer spending, increasing competition from other online and offline retailers and distributors, slower growth in China's retail or online retail industry, supply chain and logistical bottlenecks, emergence of alternative business models and changes in government policies or general economic conditions. If our growth rate declines, investors' perceptions of our business and prospects may be adversely affected and the market price of our Shares could decline.

Although we experienced significant revenue and profit growth during the Track Record Period, these and similar measures may decrease in the future. In addition, our profitability depends on our ability to control costs and operating expenses, which may increase as our business expands and negatively impact our short-term profitability. If we fail to increase sales, or if our cost of sales and operating expenses grow faster than our sales, our business, financial condition and results of operations may be negatively affected.

*Our business relies on the proper operation of our information technology systems, any malfunction of which for extended periods could materially and adversely affect our business.*

Our business relies on the proper functioning of our information technology systems. We use our information technology platform, which integrates POS, DRP, SCRM and WMS systems, to enable us to quickly and efficiently collect and analyze our operational data and information including procurement, sales, inventory, order fulfillment, logistics, customer and membership data and after sales services on a real-time basis. We use our information technology platform to assist us in budgeting, human resources, inventory control, financial management and retail management. As a result, the contemplated operation of our information technology system is critical for us to monitor the inventory/sales level of our stores and for our stores to place orders with us. We need to constantly upgrade and improve our information technology systems to keep up with the continuous growth of our operations and business. However, our IT systems may not always operate without interruption and may encounter temporary abnormality or become obsolete. As our retail network is highly integrated, any malfunction to a particular part of our information technology system for an extended period of time may result in a breakdown throughout our network and our ability to continue our operations smoothly may be negatively affected, which in turn could adversely affect our results of operations.

It is also important that we constantly review our existing IT systems, identify new business needs, provide IT solutions and upgrade our systems. We may not always be successful in developing, installing, running and migrating to new software or systems as required by our business development. Even if we are successful in this regard, significant capital expenditure may be required, and we may

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not be able to benefit from these types of investment immediately or at all. All of these may have a material adverse effect on our operations and profitability. Although we carry business interruption insurance, we cannot assure you that we will always be able to claim under that insurance or that its proceeds will be sufficient to fully cover our losses.

*If we fail to protect our proprietary data and customer information, our reputation and business could be negatively affected.*

We believe that our ability to compile and analyze sales data and customer data is critical to our success. We have built a large customer data base leveraging our extensive retail network and our information technology system. We collect customer data primarily through our stores and our websites, such as our end-customers' personal information, payment related information and transaction history. Concerns about our practices with regard to the collection, storage, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and results of operations. Furthermore, any actual or alleged leakage or unauthorized use of the customer data we have collected could result in a decrease in our online traffic or the number of our online end-customers, either of which could have a material adverse effect on our business, financial condition and results of operations.

We have adopted security policies and measures to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining and misappropriating our proprietary data and customer information. In addition, we have limited control or influence over the security policies or measures adopted by third-party online payment service providers through which some of our end-customers may elect to make online purchases. Furthermore, our third-party logistics service providers or courier companies may also violate their confidentiality obligations and disclose or use information about our end-customers illegally. Although we do not believe that we will be held responsible for any such illegal activities, any negative publicity on our IT system's or online retail channels' safety or privacy protection mechanism and policy could have a material adverse effect on our public image and reputation. We cannot assure you that similar events beyond our control will not occur in the future, which could negatively affect our reputation.

Furthermore, Chinese regulations governing the use of personal data are still under development and currently do not impose any mandatory restrictions on internal use of such data by us. Any change in the regulations governing the use of such personal data could adversely affect our ability to use such data or discourage our end-customers from using our online retail sales channels, either of which could have a material adverse effect on our business, financial condition and results of operations.

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***Any deficiencies in China's Internet infrastructure could impair our ability to sell products over our online sales network, which could cause us to lose end-customers and harm our operating results.***

We are increasingly dependent on online sales through our own web-based sales platform and third-party online platforms. These sales depend on the performance and reliability of the Internet infrastructure in China. The availability of our own web-based sales platform and third-party online platforms depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we or any third-party online platform providers are unable to enter into and renew agreements with these providers on acceptable terms, or if any of our or their existing agreements with such providers are terminated as a result of our or their breach or otherwise, as applicable, our ability to sell products to our end-customers online could be adversely affected. Service interruptions prevent customers from accessing our online sales channels and placing orders, and frequent interruptions could frustrate customers and discourage them from attempting to place orders, which could cause us to lose end-customers and harm our operating results.

***We are subject to certain risks relating to the warehousing of the products we sell.***

Before delivery of products to our stores, third-party retailers and distributors, we temporarily store them in our warehouses. We maintain insurance to cover financial losses we may sustain as a result of accidents, including fires, in our warehouses. However, if such accidents, including fires, were to occur, causing damage to the products we sell or our warehouses, our ability to supply products to our stores, third-party retailers and distributors on time could be adversely affected, causing our market reputation, financial condition, results or operations or business to be materially and adversely affected. The occurrence of any of these incidents could also require us to make significant unanticipated capital expenditures and delay our delivery of products. Lost sales or increased costs that we may incur due to such disruption of operations and delay in delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of end-customers. If any one or more of the above risks were to materialize, our financial condition and results of operations may be adversely affected.

***We rely on third-party logistics service providers and courier companies to deliver the products we sell.***

We engage independent third-party logistics service providers to deliver the products we sell directly from our warehouses to self-operated stores, third-party retailers, distributors and end-customers. As of the Latest Practicable Date, we engaged 19 logistics service providers. We also deliver orders placed on our online platform through express delivery services from reputable third-party courier companies with nationwide coverage. As of October 31, 2015, we engaged six courier companies. Disputes with or a termination in our contractual relationships with one or more of our logistics service providers or courier companies could result in delayed delivery of products, increased costs or customer dissatisfaction. There can be no assurance that we can continue or extend relationships with our current logistics service providers or courier companies on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers or courier companies to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain

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or develop good relationships with logistics service providers or courier companies, it may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our end-customers. We cannot guarantee that no interruptions would occur which would materially and adversely affect our business, prospects or results of operations.

As we do not have any direct control over these logistics service providers or courier companies, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products or any other issue, we may lose end-customers and sales and our brand image may be tarnished. In addition, our brand companies sometimes deliver products to us by land transportation through independent third-party logistics companies. Delays in delivery due to transportation shortages, work stoppages, infrastructure congestion or other factors could adversely impact our ability to timely deliver the products we sell to self-operated stores, third-party retailers, distributors or end-customers.

***We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are able to raise funds, the value of your investment in us may be negatively impacted.***

We currently fund our operations principally by proceeds from sales of products and bank loans. To finance our ongoing operations, existing and future capital expenditure requirements, acquisition and investment plans and other funding requirements, we may need to obtain adequate financing from external sources to supplement our internal sources of liquidity in the future. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including, among other things:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and other conditions in China and elsewhere.

Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

***Our success depends on our ability to retain our senior management team and to recruit, train and retain qualified personnel.***

The talent, experience and leadership of our senior management team are critical to the success of our business. Members of our senior management team have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected loss of services of one or more of these individuals could also have a material adverse effect on us.

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Our continued growth depends in part on our ability to recruit and retain suitable staff. As we expand our retail network, we will need to hire experienced staff who are knowledgeable of the local market and the MBC Product retail industry to operate self-operated stores. We have faced increasing competition for management and skilled personnel with significant knowledge and experience in the MBC Product retail sector in China. In addition, we have seen an increasing trend in labor costs in China in recent years, which has had a direct impact on our staff costs. We may need to offer better compensation and other benefits in order to attract and retain key personnel in the future and that may materially affect our costs and profitability. We cannot assure you that we will have the resources to fully satisfy our staffing needs as we continue to grow our business in the future or that our operating expenses will not significantly increase. Competition for talent in some areas of the Chinese retail industry is intense and qualified individuals can be difficult to recruit. Consequently, we may not be able to easily or quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires. Significant increases in employee turnover rates, which is generally high in the Chinese retail industry, or significant increases in labor costs, due to competition for talents or changes in labor and healthcare laws, could have a material adverse effect on our results of operations and financial condition.

***We rely on third-party OEM contractors for the manufacturing of our apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB. Our brand image and business may be negatively affected by the performance of or disruption in supply of our OEM contractors.***

We engage independent third-party OEM contractors for the production of apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB. We also utilize the in-house design capabilities of our OEM contractors for the design of our maternity and baby care products. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, the purchase cost of outsourced products represented approximately 12.3%, 15.6%, 17.7% and 17.2%, respectively, of our total cost of sales from continuing operations. We select our OEM contractors based on stringent criteria. See “Business—Suppliers and Raw Materials—Our OEM Contractors—Selection of OEM contractors.” However, we cannot assure you that our OEM contractors will deliver products to us in a timely manner or are of satisfactory quality. In addition, there is no assurance that our OEM contractors will continue to work with us on similar terms or at all in the future, or that they will have sufficient resources to meet our demand at all times. If the performance of any of our OEM contractors is not satisfactory, or an OEM contractor decides to substantially reduce its volume of supply to us, to increase the prices of its products or to terminate its business relationship with us, we may need to find replacement OEM contractors or take other remedial actions, which could increase the cost and lengthen the time required to dispatch the products we sell to our third-party retailers, distributors or end-customers.

In addition, as we exercise limited control over the operations of our OEM contractors, we cannot ensure that our OEM contractors will adhere to our quality control policies and guidelines at all times. Any defect in the products designed or manufactured by our OEM contractors could subject us to product liability or damage our reputation and reduce the demand for the products we sell. Furthermore, we cannot assure you that our OEM contractors will fully comply with the applicable laws and regulations, such as labor and environmental laws. If there is any negative publicity regarding such non-compliance, our brand image may be damaged.

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***Our future financial performance will be negatively affected by the listing expenses incurred in connection with the Listing.***

Our financial results for the year ending December 31, 2016 will be affected by non-recurring expenses in relation to the Listing. We incurred RMB15.9 million of listing expenses during the Track Record Period, among which RMB4.0 million was recognized as prepayments and RMB11.9 million was recognized as expenses. We expect to incur approximately RMB55.3 million of listing expenses after the Track Record Period, of which approximately RMB2.1 million will be capitalized and RMB6.2 million will be recognized as expenses for the year ended December 31, 2015 and RMB26.6 million will be capitalized and RMB20.4 million will be recognized as expenses for the year ending December 31, 2016.

Whether or not the Listing eventually occurs, a significant portion of the listing expenses will have been incurred and recognized as expenses, which will reduce our net profit and therefore negatively affect our future financial performance. In addition, if the Listing were to be postponed due to market conditions, we would also need to incur additional listing expenses for our future listing plan, which would further negatively affect our future net profit. As a result, our business, financial performance, results of operations and prospect would be materially and adversely affected.

***We recorded net current liabilities as of December 31, 2012. We cannot assure you that we will not experience net current liabilities in the future, which could expose us to liquidity risks.***

As of December 31, 2012, we recorded net current liabilities of RMB255.9 million, which was primarily related to the consideration we paid for purchases of subsidiaries from GBHL in 2010 and the non-interest bearing loans from GBHL to us. See “Financial Information—Liquidity and Capital Resources—Net Current Assets and Liabilities.”

We cannot assure you that we will not experience net current liabilities in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, the payment of trade and other payables and repayment of debt financing will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we are unable to maintain sufficient working capital, our business, financial position, results of operations and prospects would be materially and adversely affected.

### **RISKS RELATING TO DOING BUSINESS IN CHINA**

***Changes in political, social and economic policies in China may materially and adversely affect our business, financial condition, results of operations and prospects.***

All of our operating subsidiaries are located in China and all of our business activities are conducted in China. Accordingly, changes in political, social and economic policies in China may materially affect our results of operations and business prospects. The Chinese economy differs from the economies in most developed countries in many aspects, including the level of government involvement, degree of development, economic growth rate, control of foreign exchange and allocation of resources. Since 1978, the Chinese government has implemented many economic and social reform measures. As a result, China is experiencing a transition from a planned economy to a



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more market-oriented economy. Many of the reforms are exploratory or experimental, and they are expected to be modified as the economic and social situation develops. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. Although China has experienced rapid economic growth over the past decades, its continued growth has been facing downward pressure since the second half of 2008 and its annual real GDP growth rate has declined from 7.8% in 2012 to 7.7% in 2013, 7.3% in 2014 and 6.9% in the first nine months of 2015. There is no assurance that future growth will be sustained at similar rates or at all. Our business, financial position, results of operations and prospects may be adversely affected by Chinese government's political, economic and social policies affecting our industries.

***Uncertainties in the Chinese legal system may adversely affect our business and limit the legal protection available to you.***

Our operating subsidiaries and operations are located in China and are subject to the laws and regulations of China. The Chinese legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system have little precedential value and can only be used as a reference. Furthermore, China's statutes are subject to the interpretation by the legislative bodies, the judicial authorities and the enforcement bodies, which increases the uncertainty. Since 1978, when the Chinese government started economic reforms, China has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade. Many of these laws and regulations are relatively new and subject to frequent changes and uncertainties in implementation and interpretation. There may also be new laws and regulations to cover new economic activities in China. We cannot predict the future developments in the Chinese legal system. These uncertainties in the Chinese legal system may adversely affect our business and limit the legal protection available to you.

***As a holding company, we rely on the distribution by our Chinese subsidiaries for funding.***

We are a holding company incorporated in the Cayman Islands, and we operate our business through our operating subsidiaries in China. We rely on the distribution to us by our Chinese subsidiaries for funding, including to pay dividends to our Shareholders and to service any debt we may incur. Chinese laws permit dividends to be paid by our Chinese subsidiaries only out of their distributable profits determined in accordance with the PRC generally accepted accounting principles ("PRC GAAP"), which differ from the accounting principles and standards generally accepted in many other jurisdictions. Chinese laws also require each of our Chinese subsidiaries to maintain a general reserve fund of 10% of its after-tax profits based on PRC GAAP, up to a maximum of 50% of its registered capital. Any of our Chinese subsidiaries that is a foreign invested enterprise may also be required to set aside individual funds for staff welfare, bonuses and development in accordance with Chinese laws. These reserve funds are not available for distribution as cash dividends. Additionally, factors such as cash flows, restrictions in debt instruments, withholding tax and other arrangements may restrict our Chinese subsidiaries' ability to pay dividends to us and in turn restrict our ability to pay dividends to our Shareholders. Distributions by our Chinese subsidiaries to us in forms other than dividends may also be subject to government approvals and taxes.



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*The Chinese tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC resident enterprise by a non-resident enterprise, which may negatively affect the value of your investment in our Company.*

On February 3, 2015, the PRC State Administration of Taxation issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular 7**”). This regulation repealed certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (關於加強非居民企業股權轉讓企業所得稅管理的通知) (“**Circular 698**”) and certain rules clarifying Circular 698. Circular 698 was issued by the PRC State Administration of Taxation on December 10, 2009. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“**PRC Taxable Assets**”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for examples, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular 7 will be applicable to transfers of our Shares by our Shareholders. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, the value of your investment in our Shares may be adversely affected.

*We may be deemed as a PRC tax resident under the EIT Law and be subject to PRC taxation on our worldwide income.*

Under the EIT Law, enterprises established under the laws of jurisdiction other than China may be considered as a PRC tax resident provided that their “de facto management body” are located within China. Supplementary rules of the EIT Law interprets “de facto management body” as a body that exercises substantial management or control over the business, personnel, finance and properties of an enterprise. Through a circular promulgated in April 2009, the PRC State Administration of Taxation further clarified the criteria for determining whether an enterprise has a “de facto management body” within China. As most of our management is currently based in China and many may remain in China in the future, we and our non-PRC subsidiaries may be treated as PRC tax residents and a number of unfavorable tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income and to PRC enterprise income tax reporting obligations. Any income sourced by us from outside China, such as interest on offering proceeds held outside China, would be subject to PRC enterprise income tax at a rate of 25%. While the EIT Law provides that dividend income between “qualified resident enterprises” is exempt from PRC enterprise income tax, it is not clear whether our Company and our non-PRC subsidiaries would be eligible for such exemption were we considered to be PRC tax residents. In addition, if we are treated as PRC tax residents under Chinese laws, capital gains realized from sales of our Shares and dividends we pay to

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non-PRC resident Shareholders may be treated as income sourced within China. Accordingly, dividends we pay to non-PRC resident Shareholders and transfers of Shares by these Shareholders may be subject to PRC income tax. The tax on this income of non-PRC resident Enterprise Shareholders would be imposed at a rate of 10% (and may be imposed at a rate of 20% in the case of non-PRC resident individual Shareholders), subject to the provisions of any applicable tax treaty. If we are required to withhold PRC income tax on dividends payable to you, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

***Dividends paid by our PRC subsidiaries to us are subject to PRC withholding taxes.***

Under the EIT Law and its implementation rules, a 10% withholding tax is applicable to the profit of a foreign-invested enterprise distributed to its immediate holding company outside China to the extent the distributed profit is sourced from China, (i) if the immediate holding company is neither a PRC resident enterprise nor has any establishment or place of business in China, or (ii) if the immediate holding company has an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business. Pursuant to a special arrangement between Hong Kong and China, this rate will be lowered to 5% if a Hong Kong resident enterprise directly owns over 25% of the Chinese company. However, according to the Circular of the PRC State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (關於印發《非居民享受稅收協定待遇管理辦法(試行)的通知》) which became effective on October 1, 2009, this 5% tax rate does not automatically apply. Approvals from competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under the taxation treaties. In addition, according to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, Chinese tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. We cannot assure you that Chinese tax authorities will determine that the 5% tax rate applies to dividends received by our subsidiaries in Hong Kong from our Chinese subsidiaries or that Chinese tax authorities will not levy a higher withholding tax rate on these dividends in the future. In addition, on August 27, 2015, the SAT promulgated the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (國家稅務總局關於發佈《非居民納稅人享受稅收協定待遇管理辦法》的公告), which became effective on November 1, 2015 and replaced the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial). Under the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers, any qualifying non-resident taxpayer meeting specified conditions may be entitled to the convention treatment when filing a tax return or making a withholding declaration through a withholding agent. However, grant of the convention treatment is at the discretion of the tax authorities.

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*Failure by our Shareholders or beneficial owners who are PRC residents to make required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing dividends and could expose us and our Shareholders who are PRC residents to liability under Chinese laws.*

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 37”), which was promulgated by SAFE and became effective on July 14, 2014, requires a PRC individual resident (“**PRC Resident**”) to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Offshore SPV**”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s Chinese subsidiary to distribute dividends to its overseas parent.

As SAFE Circular No. 37 was recently promulgated, it is unclear how this regulation and any future regulation concerning offshore or cross-border transactions will be interpreted, amended or implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategies. As of the Latest Practicable Date, to the best knowledge of our Directors, our PRC Resident Shareholders with offshore investments in our Group had registered with SAFE as to their offshore investments in accordance with Circular No. 37. Any failure by our PRC Resident Shareholders or beneficial owners to make the registrations or updates with SAFE may subject the relevant PRC Resident shareholders or beneficial owners to penalties, restrict our overseas or cross-border investment activities, limit our Chinese subsidiaries’ ability to make distributions or pay dividends, or affect our ownership structure and capital inflow from our offshore subsidiaries. As such, our business, financial condition, results of operations and liquidity as well as our ability to pay dividends or make other distributions to our shareholders may be materially and adversely affected.

*Current Chinese regulations on loans provided by, and foreign direct investment by, an offshore holding company to Chinese companies may delay or prevent us from using the proceeds from the Global Offering to fund our business operations in China.*

Any loans or capital contributions that we, as an offshore entity, make to our Chinese subsidiaries that are foreign-invested enterprises, including with the proceeds of the Global Offering, are subject to Chinese laws and regulations. Foreign-invested enterprises must register with SAFE or its local counterpart in order to obtain shareholder loans from the foreign investors. The aggregate amount of these foreign loans must not exceed statutory limits. Furthermore, the foreign-invested enterprises must register with SAFE or its local counterpart for repayment of the foreign loans. In addition, foreign investors must obtain approvals from MOFCOM or its local counterpart and register with SAIC or its local counterpart to make capital contributions to the foreign-invested enterprises.

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We cannot assure you that we can obtain the required government approvals or registrations on a timely basis, or at all, with respect to loans or capital contributions that we may make to our Chinese subsidiaries. If we fail to obtain the approvals or registrations, our ability to use the proceeds from the Global Offering to fund our operations in China would be negatively affected, which would materially and adversely affect our liquidity and our ability to expand our business.

***Government control of currency conversion and fluctuation in the exchange rates of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.***

Substantially all of our revenue and operating costs are denominated in Renminbi. The Chinese government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing Chinese foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required for foreign currency conversions for payment under capital account items such as equity investments. The Chinese government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. Under our current corporate structure, our revenue is primarily derived from dividend payments from our Chinese subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our Chinese subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

The exchange rates of the Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in China's political and economic conditions. The PBOC announced on August 11, 2015 that it would revise the middle price quotation mechanism for determining the USD-RMB exchange rates. On the same day, the daily reference rate for the Renminbi against the U.S. dollar depreciated by 1.9% compared to that of the day before. The Renminbi depreciated further against the U.S. dollar in the second half of 2015. Any fluctuations in exchange rates of the Renminbi against the U.S. dollar, Euro or other foreign currencies may cause the costs for Mothercare-Goodbaby JV to import Mothercare-branded products to be volatile. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from the Global Offering into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount that we will receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making dividend payments on our Shares or for other business purposes appreciation of the Hong Kong dollar against Renminbi would reduce the Hong Kong dollar amount available to us.

***You may encounter difficulty in effecting service of legal process upon us, our Directors and senior management and enforcing foreign judgments against us, our Directors and senior management.***

We are a company incorporated in the Cayman Islands with substantially all of our assets located within China. Most of our Directors and senior management reside in China and substantially all of their assets are within China. As a result, it may not be possible for you to effect service of legal process within China on us or our Directors or senior management.

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## RISK FACTORS

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Judgments of courts of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty on that with China. Currently, China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United States, the United Kingdom or most other western countries. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, pursuant to which reciprocal recognition and enforcement of the judgment may be possible between these two jurisdictions provided that the judgment is rendered by a final court of these two jurisdictions and the parties has a expressly written choice of court. It may be difficult or impossible for you to enforce judgment between these jurisdictions if you have not agreed on sole jurisdiction with the other party. In addition, Hong Kong has no arrangement for reciprocal enforcement of judgments with the United States and certain other jurisdictions. As a result, you may encounter difficulty in enforcing foreign judgments against us or our directors or senior management.

### RISKS RELATING TO THE GLOBAL OFFERING

*As there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.*

Prior to the Global Offering, there was no public market for our Shares. The Offer Price of our Shares is the result of negotiations between us and the Underwriters' Representative on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. There is no guarantee that an active trading market for our Shares will develop, or, if it does develop, that it will sustain or that the market price of our Shares will not decline after the Global Offering.

*The market price and trading volume of our Shares may be volatile, which may result in substantial losses for investors in our Shares.*

The price and trading volume of our Shares may fluctuate widely in response to factors beyond our control. The factors that could cause significant market price change include but do not limit to the following:

- changes in our results of operations, earnings and cash flows, and securities analysts' estimates of our financial performance;
- changes in competitive landscapes of our industries, including strategic alliances, acquisitions or joint ventures by us or our competitors;
- changes in general economic conditions affecting us or our industries;
- regulatory developments, and our inability to obtain or renew necessary licenses and permits;
- changes in our senior management;

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## RISK FACTORS

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- fluctuations of the general stock market, particularly fluctuations in stock prices of other companies that operate mainly in China and are listed on the Stock Exchange; and
- material litigation or regulatory investigations affecting us or our senior management.

***There will be a time gap of several business days between pricing and trading of our Shares offered under the Global Offering. The market price of the Shares after trading begins could be lower than the Offer Price.***

The Offer Price of our Shares will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. Investors are unlikely to be able to sell or otherwise deal in our Shares before they commence trading. Accordingly, holders of our Shares are subject to the risk that the price of our Shares after trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse development that may occur between the Price Determination Date and the time trading begins.

***Control by our Controlling Shareholders of a substantial percentage of our Company's share capital after the completion of the Global Offering may limit your ability to influence the outcome of decisions requiring the approval of Shareholders and the interests of our Controlling Shareholders may not be aligned with those of our other Shareholders.***

Upon the completion of the Global Offering, approximately 65.44% of our Shares will be held by our Controlling Shareholders, assuming that the Over-allotment Option is not exercised. After the completion of the Global Offering, our Controlling Shareholders will continue to have significant influence on us on various important corporate actions requiring the approval of Shareholders, such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between our Controlling Shareholders' interests and your interests. Control by our Controlling Shareholders of a substantial percentage of our Shares may have the effect of delaying, discouraging or preventing a change in control of us, which may deprive you of opportunities to receive premiums for your Shares and may reduce the price of the Shares. If our Controlling Shareholders cause us to pursue strategic objectives that would conflict with your interests, you may also be left in a disadvantaged position.

***Future sales or major divestment of our Shares by any of our Controlling Shareholders could adversely affect the prevailing market price of our Shares.***

The market price of our Shares may be adversely affected by future sales of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders. The Shares held by our Controlling Shareholders are subject to certain lock-up arrangements; please see the section headed "Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Undertakings to the Stock Exchange Pursuant to the Listing Rules—(b) Undertakings by Our Controlling Shareholders" in this prospectus for a detailed description of the restrictions. After the restrictions of the lock-up arrangements expire, our Controlling Shareholders may dispose of our Shares. Sales of a substantial amount of our Shares following the expiration of such lock-up arrangements could adversely affect the market price of our Shares, which could negatively affect our ability to raise equity capital.



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## RISK FACTORS

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***Our future financing may cause dilution of your shareholding or place restrictions on our operations.***

In order to raise capital and expand our business, we may consider offering and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;
- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

***You will experience immediate and substantial dilution in the book value of your investment as a result of the Global Offering.***

The Offer Price of our Shares is higher than our net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares will experience an immediate dilution in pro forma net tangible book value per Share. Our existing Shareholders will, however, receive an increase in pro forma net tangible book value per Share with respect to their Shares. In addition, if the Underwriters' Representative exercises the Over-allotment Option, holder of our Shares may experience further dilution.

***There is no assurance as to whether and when we will pay dividends. Dividends declared in the past may not be indicative of our dividend policy in the future.***

We cannot guarantee when, if or in what form and amount dividends will be paid on our Shares following the Global Offering. Distribution of dividends must be proposed by our Board and is subject to a number of factors, including the results of operations, cash flows, financial situation and capital expenditure requirements of our Group, distributable profits of our subsidiaries and dividends they pay to us, our future plans and business prospects, market conditions, our Articles of Association, regulatory restrictions and our contractual obligations. As a result, our historical dividend distributions are not indicative of dividends that we may pay in the future. See "Financial Information—Dividend Policy" for more details of our dividend policy.



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## RISK FACTORS

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*Certain facts, forecasts and other statistics contained in this prospectus are obtained from government sources and other third parties and may not be accurate or reliable, and statistics in the prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the “Industry Overview” section of this prospectus.*

In this prospectus, certain facts, forecasts and other statistics concerning China, its economic conditions and the industries are derived from publications of Chinese government agencies or industry associations, or an industry report prepared by Frost & Sullivan and commissioned by us. Although we have taken reasonable care in extracting those facts, forecasts and statistics, they have not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy in other jurisdictions. You should consider carefully that how much weight you should place on those facts, forecasts and statistics.

*This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.*

This prospectus contains certain future plans and forward-looking statements about us that are made based on the information currently available to our management. The forward-looking information contained in this prospectus is subject to certain risk and uncertainties. Whether we implement those plans, or whether we can achieve the objective described in this prospectus, will depend on various factors including the market conditions, our business prospects, actions by our competitors and the global financial situations.

*You may experience difficulties in enforcing your shareholder rights because we are incorporated in the Cayman Islands, and the Cayman Islands law is different from the laws of Hong Kong and other jurisdictions in terms of minority shareholder’s protection.*

We are an exempted company incorporated in the Cayman Islands with limited liability. Cayman Islands law differs in some respects from the laws of Hong Kong and other jurisdictions where investors may be located. Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The rights of our Shareholders to take legal actions against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands, and from English common law, which is persuasive but does not have binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under the Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong, the United States or other jurisdictions where investors may be

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## RISK FACTORS

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located. In particular, the Cayman Islands has a less developed body of securities law. As a result, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, Directors or Controlling Shareholders than they would as shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions.

*Investors should read the entire prospectus carefully and should not place any reliance on any information contained in press articles or other media in making your investment decision.*

Prior or subsequent to the publication of this prospectus, there may have been press and media coverage regarding us and the Global Offering, which includes certain information about us that does not appear in, or is different from what is contained in, this prospectus. We have not authorized the disclosure of any such information in the press or media. The financial information, financial projection, valuation and other information about us contained in such unauthorized press or media coverage may not truly reflect what is disclosed in the prospectus or the actual circumstances. We do not accept any responsibility for such unauthorized press and media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent that any information appearing in the press and media is inconsistent or conflict with the information contained in this prospectus, we disclaim it. Investors should rely only on the information contained in this prospectus in making investment decision.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

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In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

### MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our core business, operations and substantially all of our assets are conducted and managed in the PRC. It would be impracticable and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong. As each of our executive Directors has a vital role in our business and operations, it is of paramount importance for them to remain to be based in the PRC and physically close to our operation. Relocation of our executive Directors to Hong Kong will require time to process the application for residency in Hong Kong and the application will be burdensome and costly for our Company. Moreover, it may not be in the best interest of our Company and Shareholders as a whole to appoint additional executive Directors who are ordinarily residents in Hong Kong for the sole purpose of satisfying the management presences requirements as such arrangement will increase our administrative expensive and reduce the effectiveness and responsiveness of the Board in making decisions. Our Company currently does not, and in the foreseeable future will not, have executive Directors who are ordinarily residents in Hong Kong. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

- (1) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that we will comply with the Listing Rules at all times. The two authorized representatives are Mr. Song Zhenghuan, our chairman and executive Director, and Ms. Leung Suet Lun, our company secretary. Ms. Leung Suet Lun is an ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the authorized representatives will be authorized to communicate on our behalf with the Stock Exchange.
- (2) Each of the authorized representatives has means to contact all of our Directors (including our independent non-executive Directors) and all members of our senior management promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, we will implement a policy that (a) each Director will have to provide his or her mobile telephone number, office telephone number, fax number and email address (if applicable) to our authorized representatives; (b) in the event that a Director expects to travel or is out of office, he or she will endeavor to provide the telephone number of the place of his or her accommodation to the authorized

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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representatives or maintain an open line of communication via his or her mobile telephone; and (c) each of the Directors and authorized representatives will provide his or her mobile telephone numbers, office telephone numbers, fax numbers and email addresses (if applicable) to the Stock Exchange.

- (3) Each of our Directors (including our independent non-executive Directors) who is not an ordinary resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong for business purpose and will be able to renew such travel documents when they expire such that he or she will be able to meet with the relevant officers of the Stock Exchange within a reasonable period of time, when required.
- (4) In compliance with Rule 3A.19 of the Listing Rules, we have appointed Messis Capital Limited as our compliance adviser to act as an additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The contact person of the compliance adviser will be fully available to answer enquiries from the Stock Exchange.
- (5) We will ensure that our compliance adviser shall have access at all times to our authorized representatives, Directors and members of the senior management. We will also procure that such persons provide promptly to our compliance adviser such information and assistance as our compliance adviser may need or may reasonably request in connection with the performance of its duties as set forth in Chapter 3A of the Listing Rules. We will provide to our compliance adviser with the contact details of such persons before the Listing and will promptly inform our compliance adviser any subsequent change(s) thereof. We will ensure that there are adequate and efficient means of communication between us, our authorized representatives, Directors and members of the senior management and our compliance adviser, and will keep our compliance adviser fully informed of all communications and dealings between us and the Stock Exchange.
- (6) In addition to our compliance adviser, whose role and responsibilities after the Listing include informing us on a timely basis of any amendment or supplement to the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to us and providing advice on the continuing requirements under the Listing Rules, we expect to retain a Hong Kong legal advisor to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after the Listing.

## **CONTINUING CONNECTED TRANSACTIONS**

We have entered into certain transactions and expect to continue such transactions after the Listing, which would constitute continuing connected transactions under the Listing Rules after the Listing. Pursuant to Chapter 14A of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers from strict compliance with the rules regarding the

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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announcement and independent shareholders' approval requirements and the requirement that annual caps must be expressed in monetary terms under Chapter 14A of the Listing Rules for such continuing connected transactions. Further details of such continuing connected transactions and the waivers, please refer to the section headed "Connected Transactions" in this prospectus.

**FINANCIAL STATEMENTS IN THIS PROSPECTUS**

The accountant's report set out in Appendix I to this prospectus contains the consolidated results of our Group for the three financial years ended December 31, 2014 and the ten-month period ended October 31, 2015.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountant's report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires that we set out in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of this prospectus. Paragraphs 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require that we include in this prospectus a report by the auditors with respect to the profit and loss of our Group for each of the three financial years ended immediately preceding the issue of this prospectus and the assets and liabilities of our Group as at the end of each of the three financial years ended immediately preceding the issue of this prospectus.

Rule 4.04(1) of the Listing Rules requires that the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of the prospectus be included in the accountant's report to this prospectus.

Guidance Letter GL-25-11 issued by the Stock Exchange has provided the conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules as follows:

- (1) the applicant must list on the Stock Exchange within three months after the latest year end;
- (2) the applicant must obtain a certificate of exemption from the SFC on compliance with paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (3) a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the prospectus or the applicant must provide justification why a profit estimate cannot be included in the prospectus; and
- (4) there must be a directors' statement in the prospectus that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

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An application has been made to the SFC for the certificate of exemption from strict compliance with section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the inclusion of the accountant's report for the full financial year ended December 31, 2015 in this prospectus on the following grounds:

- our Directors consider that after performing sufficient due diligence work, there has been no material adverse change in the financial and trading positions or prospect of our Group since October 31, 2015 up to the date of issue of this prospectus and that there is no event which would materially affect the information contained in the accountant's report and profit estimate of our Group in this prospectus. Our Directors and the Sole Sponsor consider that all information that is reasonably necessary for the potential investors to make an informed assessment of the activities, assets and liabilities and financial position of our Group has been included in this Prospectus. Our Directors believe that an exemption from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance Requirements would not prejudice the interests of the investing public; and
- Strict compliance with section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome as it would not be possible for the audited results of our Group for the year ended December 31, 2015 to be finalised shortly after the year end. If the full year results of our Group for 2015 are to be included in this Prospectus, there will be a significant delay in the listing timetable. If the financial information is required to be audited up to December 31, 2015, our Company and the reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the accountant's report to cover such additional period within a short period of time. Our Directors consider that the benefits of such work to the prospective investors of the Company may not justify the additional work and expenses involved and the delay in the listing timetable, given that it is expected that there would be no significant change in the financial position of our Group since October 31, 2015, being the expiry of the period reported on by Ernst & Young, the Company's reporting accountants which is not otherwise disclosed in this Prospectus.

A certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption be set forth in this prospectus; and (ii) this prospectus be issued on or before January 28, 2016.

An application has also been made to the to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules in relation to the inclusion of the accountant's report for the full financial year ended December 31, 2015 in this prospectus on the following grounds:

- our Directors consider that after performing sufficient due diligence work, there has been no material adverse change in the financial and trading positions or prospect of our Group since October 31, 2015 up to the date of issue of this prospectus and that there is no event

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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which would materially affect the information contained in the accountant's report and profit estimate of our Group in this prospectus. Our Directors and the Sole Sponsor consider that all information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of our Group has been included in this Prospectus. Our Directors believe that a waiver from strict compliance with Rule 4.04(1) of the Listing Rules would not prejudice the interests of the investing public;

- our Company shall be listed on the Stock Exchange within two month after December 31, 2015, being the latest financial year end of our Company;
- this prospectus contains a statement from our Directors that there has been no material adverse change to the financial and trading positions or prospect of our Group since October 31, 2015 (being the date of which the latest audited consolidated financial statement of our Group were made up) and up to Latest Practicable Date;
- in accordance with Guidance Letter HKEx-GL-25-11, an estimate of the consolidated profit of our Group for the year ended December 31, 2015 has been included in this prospectus. Investing public would thus be given some guidance as to our Company's financial performance for the year ended December 31, 2015; and
- our Company shall publish its annual results and annual report within the time prescribed under the Rules 13.49(1) and 13.46(1) of the Listing Rules, respectively.

The Stock Exchange has granted us a waiver from strict compliance with Rule 4.04(1) of the Listing Rules on the conditions that (i) this prospectus be issued by January 28, 2016 and the Listing shall commence by March 31, 2016; (ii) we have obtained a certificate of exemption from the SFC from similar requirements under section 342(1) in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; (iii) the inclusion of a profit estimate for the year ended December 31, 2015 which complies with Rules 11.17 to 11.19 of the Listing Rules and a Directors' statement that there is no material adverse change to our financial and trading positions or prospect since October 31, 2015 up to the date of this prospectus.

Our Directors have confirmed that they have ensured that sufficient due diligence has been performed and that up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since October 31, 2015 (being the date to which the latest consolidated financial statements of our Group were made up) and there has been no event since October 31, 2015 which would materially affect the information shown in the accountant's report of our Group (as set out in Appendix I to this prospectus). Based on the due diligence work performed by the Sole Sponsor so far, nothing has come to the attention of the Sole Sponsor for it to cast doubt on the views of the Directors expressed above.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus 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 in this prospectus misleading.

### **INFORMATION ON THE GLOBAL OFFERING**

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters' Representative, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

### **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Underwriters' Representative (on behalf of the Underwriters) agreeing on the Offer Price.

### **RESTRICTIONS ON OFFER OF THE OFFER SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

The Listing is sponsored by the Sole Sponsor. We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).

No part of our Share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, February 12, 2016. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 6186.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

### **HONG KONG REGISTER OF MEMBERS AND STAMP DUTY**

Our Company's principal register of members will be maintained by our principal share registrar, Appleby Trust (Cayman) Ltd., in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

### REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our Hong Kong Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Cayman Companies Law and our Articles of Association;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

### EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi into Hong Kong dollars, of Hong Kong dollars into Renminbi, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Hong Kong dollars into Renminbi, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rate:

RMB0.84 to HK\$1.00

HK\$1.18 to RMB1.00

RMB6.58 to US\$1.00

HK\$7.80 to US\$1.00

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

### **ROUNDING**

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Further information of our Directors is disclosed in the section headed “Directors and Senior Management” in this prospectus.

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Song Zhenghuan (宋鄭還)	Flat 801, Block 6 Lijing Garden Yushan Town Kunshan City Jiangsu Province PRC	Chinese
Ms. Fu Jingqiu (富晶秋)	Flat 801, Block 6 Lijing Garden Yushan Town Kunshan City Jiangsu Province PRC	Chinese
Mr. Wang Yadong (王亞東)	Room 332 199 Wensan Road Xihu District Hangzhou PRC	Chinese
Ms. Sharon Nan Kobler	48th Floor 300 Huaihai Middle Road Luwan District Shanghai PRC	American
<i>Non-Executive Director</i>		
Mr. Liu Tongyou (劉同友)	Flat 2305, Block 3 80, Dapu Road Huangpu District Shanghai PRC	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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Name	Residential Address	Nationality
<i>Independent Non-executive Directors</i>		
Dr. Leung Lim Kin, Simon (梁念堅)	Flat A, 45/F Aigburth 12 Tregunter Path Mid-levels Hong Kong	Chinese
Ms. Caroline Irene Chen	Unit No. 4124, Block No. 4 Lido Courts, Lido Place No. 6, Jiangtai Road Beijing PRC	British
Dr. Ngai Wai Fung (魏偉峰)	26/F, Block A Wah Shan Mansion 17 Tai Koo Shing Road Quarry Bay Hong Kong	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED

**Sole Sponsor**

Morgan Stanley Asia Limited  
Level 46  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**Joint Global Coordinators and Joint Bookrunners**

Morgan Stanley Asia Limited  
Level 46  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

BOCI Asia Limited  
26th Floor, Bank of China Tower,  
1 Garden Road  
Central  
Hong Kong

**Joint Lead Managers**

Morgan Stanley Asia Limited  
Level 46  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

BOCI Asia Limited  
26th Floor, Bank of China Tower,  
1 Garden Road  
Central  
Hong Kong

**Reporting Accountants**

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

**Legal Advisors to the Company**

*As to Hong Kong and U.S. laws:*  
Sidley Austin  
39/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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*As to PRC law:*

Jingtian & Gongcheng  
34th Floor, Tower 3, China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing, 100025  
China

*As to Cayman Islands law:*

Appleby  
2206-19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

**Legal Advisors to the Underwriters**

*As to Hong Kong and U.S. laws:*

Cleary Gottlieb Steen & Hamilton (Hong Kong)  
37th Floor, Hysan Place  
500 Hennessy Road  
Hong Kong

*As to PRC law:*

Commerce & Finance Law Offices  
6F NCI Tower  
A12 Jianguomenwai Avenue  
Chao Yang District  
Beijing 100022  
PRC

**Industry Consultant**

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

**Receiving Banks**

Bank of China (Hong Kong) Limited  
1 Garden Road  
Central  
Hong Kong

Standard Chartered Bank (Hong Kong) Limited  
15/F Standard Chartered Tower  
388 Kwun Tong Road  
Kowloon  
Hong Kong

**Compliance Adviser**

Messis Capital Limited  
Room 1606, 16th Floor, Tower 2  
Admiralty Centre  
18 Harcourt Road  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	International Corporation Services Ltd. Harbour Place, 2nd Floor 103 South Church Street P.O. Box 472, George Town Grand Cayman, KY1-1106
<b>Headquarters and principal place of business in the PRC</b>	8 Zhaofeng Road Huaqiao town Kunshan City, Jiangsu Province PRC
<b>Principal place of business in Hong Kong</b>	36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Company's website</b>	<a href="http://www.goodbabychina.com">www.goodbabychina.com</a> <i>(Information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Leung Suet Lun (梁雪綸) 36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong <i>Member of the Hong Kong Institute of Certified Public Accountants</i>
<b>Authorized representatives</b>	Mr. Song Zhenghuan (宋鄭還) Flat 801, Block 6 Lijing Garden Yushan Town Kunshan City Jiangsu Province PRC  Ms. Leung Suet Lun (梁雪綸) 36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Audit Committee</b>	Dr. Ngai Wai Fung ( <i>Chairman</i> ) Ms. Caroline Irene Chen Dr. Leung Lim Kin, Simon

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## CORPORATE INFORMATION

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<b>Remuneration Committee</b>	Dr. Ngai Wai Fung ( <i>Chairman</i> ) Ms. Caroline Irene Chen Dr. Leung Lim Kin, Simon
<b>Nomination Committee</b>	Dr. Ngai Wai Fung ( <i>Chairman</i> ) Ms. Caroline Irene Chen Dr. Leung Lim Kin, Simon
<b>Compliance adviser</b>	Messis Capital Limited Room 1606, 16th Floor, Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong
<b>Principal share registrar and transfer office in Cayman Islands</b>	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Principal bankers</b>	Bank of China (Hong Kong) Limited 1 Garden Road Central Hong Kong

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## INDUSTRY OVERVIEW

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*This and other sections of this prospectus contain information and statistics relating to our industry and related industry sectors, some of which have been derived from official governmental publications and from the report prepared by Frost & Sullivan. We believe that these sources are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information is or statistics are false or misleading or that any fact has been omitted that would render such information or statistics false or misleading. Such information and statistics have not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters' Representative, the Underwriters or any other party involved in the Global Offering and no representation is given as to their accuracy. Accordingly, you should not place undue reliance on such information or statistics.*

### SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to conduct market research and analysis of selected industries and prepare a report entitled *China Maternity, Baby and Children Products Retail Market Independent Research*, dated January 2016, or the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. Frost & Sullivan charged us RMB720,000 in connection with its preparation of the Frost & Sullivan Report. Our payment of such fee is not contingent upon the results of its research and analysis.

In preparing of the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research that involved in-depth discussions with leading industry participants. Frost & Sullivan also conducted secondary research that included reviewing company reports, independent research reports and data from its own research database. Frost & Sullivan obtained the figures for various market size estimates from historical data analysis plotted against macroeconomic data, as well as its consideration of the related industry drivers. Frost & Sullivan's forecasting methodology integrates several forecasting techniques with its internal analytics of critical market elements that it investigated in connection with its market research work. These elements include expert opinion, integration of market drivers and restraints and integration of market challenges. In preparing its report, Frost & Sullivan assumed: (i) the social, economic and political environment will remain stable from 2015 to 2019, and (ii) key industry drivers will continue to affect the market from 2015 to 2019.

Except as otherwise noted, all the data and forecast in this section are derived from the Frost & Sullivan Report.

### MARKET OVERVIEW

We operate in China's fast growing maternity, baby and children products, or MBC Products, retail market. MBC Products include an extensive range, which can be divided into the following five categories:

- Apparel & footwear for babies and children, including babies and children's casual and formal clothing and footwear;

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## INDUSTRY OVERVIEW

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- Babycare products, including diapers, baby wipes, nursery products, skin care, dental and body care and other products;
- Maternity products, including maternity clothing and mother care products such as nursing products, skin care and body care products for antenatal and postnatal women;
- Durable juvenile products, including cribs, car seats, strollers, bicycles, tricycles, baby walkers, electronic toy cars, children's furniture and others; and
- Toys, including various toys for babies and children up to six years of age.

China's retail market for MBC Products has grown rapidly in recent years, from RMB175.8 billion of retail sales value in 2010 to RMB282.5 billion of retail sales value in 2014, representing a CAGR of 12.6%. With growing affluence and favorable population policies, the retail market for MBC Products in China is expected to continue to grow significantly and reach RMB552.3 billion of retail sales value by 2019, representing a CAGR of 14.4% from 2014 to 2019.

Despite the rapid growth in China's MBC Product retail market, there is still substantial room for further growth compared with developed markets. China's per capita retail sales of baby and children products in 2014 was RMB1,033.5, which was lower than those of Japan, the United Kingdom and the United States, which were RMB1,504.2, RMB1,567.4 and RMB1,799.7, respectively.

With rising disposable income and increasing choices available for MBC Products, coupled with increasing awareness on product safety and quality, China's demand for high-quality MBC Products from reputable brands has grown rapidly in recent years.

### **ECONOMIC GROWTH, INCREASING DISPOSABLE INCOME, CONTINUED URBANIZATION, RISING DEMAND FOR CONSUMER PRODUCTS AND GROWING YOUTH POPULATION**

*Economic Growth and Rising Disposable Income.* Economic growth and rising household income are the key drivers of China's MBC Product retail market. China's nominal GDP grew at a CAGR of 11.7% from RMB40.9 trillion in 2010 to RMB63.6 trillion in 2014. China's economic growth has slowed down in 2013, and China's nominal GDP is expected to grow at a lower CAGR of 6.3% from 2014 to 2019, reaching RMB86.4 trillion in 2019. Along with economic growth, the average household income in China has continuously increased in recent years. The per capita disposable income of urban households in China achieved rapid growth, from RMB19.1 thousand in 2010 to RMB28.8 thousand in 2014, representing a CAGR of 10.8%. The per capita disposable income of rural households in China grew from RMB5.9 thousand in 2010 to RMB10.5 thousand in 2014, representing a CAGR of 15.4%. The per capita disposable income of urban and rural households are expected to grow at CAGRs of 9.2% and 13.5% from 2014 to 2019, reaching RMB44.7 thousand and RMB19.7 thousand, respectively, in 2019. The rapid growth in China's per capita disposable income is expected to enhance the overall rising affluence and purchasing power of Chinese consumers.

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## INDUSTRY OVERVIEW

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*Continued Urbanization and Growing E-commerce Market.* China's urbanization has increased significantly in recent years, from an urbanization rate of 50.0% in 2010 to 54.8% in 2014; it is expected to reach 59.0% by 2019. China's continued urbanization has benefited the major players in the modern retail industry, including shopping malls, department stores, supermarkets and hypermarkets, convenience stores and specialty stores. The increasing Internet and mobile Internet usage among lower-tier cities and rural areas and the development of logistics network across China have also stimulated the e-commerce retailing.

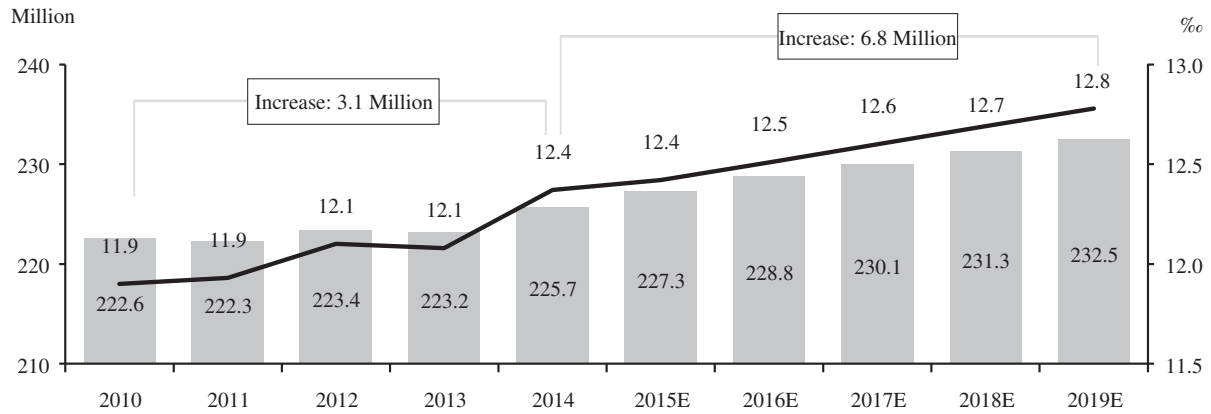
*Rising Demand for Consumer Products.* As a result of the economic growth, continued urbanization and rising disposable income, demand for consumer products in China has grown rapidly in recent years. Retail sales of consumer products in China increased from RMB15.7 trillion in 2010 to RMB27.2 trillion in 2014, representing a CAGR of 14.7%. In particular, the total retail sales of consumer products increased by 15.5% from 2012 to 2013 and by 12.0% from 2013 to 2014. As China's economic growth slows down and its retail industry matures, and Chinese consumers' consumption pattern shifts towards more purchase of services, retail sales of consumer products are forecast to grow at a lower CAGR of 11.7% from 2014 to 2019, reaching RMB47.3 trillion in 2019. In particular, the total retail sales of consumer products is projected to increase by 7.6% from 2014 to 2015. With increasing purchasing power, Chinese consumers' consumption patterns have shifted significantly toward branded products with sophisticated design and superior quality.

*Growing Youth Population.* The number of children aged 0 to 14 year in China reached 225.7 million in 2014, representing a CAGR of 0.35% from 2010 to 2014. The Chinese government is easing its one-child policy to address problems of China's rapidly aging population. In November 2013, China introduced changes to its population policies, and now allow couples to have a second child if either of the parents is an only child. In December 2015, the Chinese government amended the Population and Family Planning Law of the People's Republic of China (中華人民共和國人口與計劃生育法), and these amendments came into effect on January 1, 2016, abolishing the decades-old one-child policy, allowing all couples to have two children. Under this new favorable policy, the growth in the number of 0-14 year-old children is expected to experience a slow recovery in the next few years. From 2014 to 2019, the absolute growth of the number of 0-14 year-old children is expected to be 6.8 million, higher than the growth of 3.1 million from 2010 to 2014, representing a CAGR of 0.6% from 2014 to 2019. During the same period, China's birth rate is forecast to grow steadily from 12.4‰ in 2014 to 12.8‰ in 2019. The large and growing babies and children population underscores the strong growth potential for China's MBC retail market.

## INDUSTRY OVERVIEW

The following graph shows the population size of children aged 0 to 14 and the birthrate in China for the periods indicated.

**Population Size of Children Aged 0 to 14 and Birthrate in China (2010—2019E)**



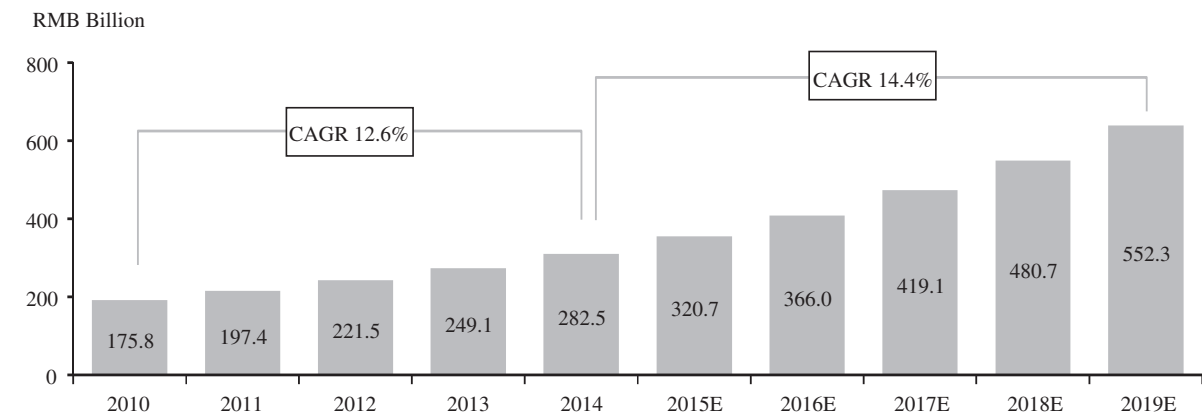
Source: Frost & Sullivan

## OVERVIEW OF CHINA'S MBC PRODUCT RETAIL MARKET

China has one of the world's largest MBC Product retail markets. The retail sales value of MBC Products in China increased from RMB175.8 billion in 2010 to RMB282.5 billion in 2014, representing a CAGR of 12.6%. The retail sales value of MBC Products in China is forecast to reach RMB552.3 billion by 2019, representing a CAGR of 14.4% from 2014 to 2019. The strong growth of China's MBC Product retail market has been driven mainly by China's economic growth, rising disposable income, continued urbanization, developing e-commerce market, increasing demand for consumer products and favorable demographic trends.

The following graph shows the growth in retail sales value of MBC Products in China for the periods indicated.

**Retail Sales Value of MBC Products in China (2010-2019E)**



Source: Frost & Sullivan



## INDUSTRY OVERVIEW

The following table sets forth retail sales value of MBC Products by product category for the periods indicated:

	Retail Sales Value			CAGR	
	2010	2014	2019E	2010-2014	2014-2019E
	(in RMB billion)				
Apparel & Footwear for Babies and Children . . . . .	86.0	140.3	273.5	13.0%	14.3%
Sports Apparel & Footwear for Babies and Children . . .	22.5	35.4	74.6	12.1%	16.0%
Babycare Products . . . . .	33.7	53.5	105.5	12.2%	14.6%
Maternity Products . . . . .	31.3	49.2	99.3	12.0%	15.1%
Durable Juvenile Products . . . . .	15.1	25.0	48.1	13.3%	14.0%
Toys . . . . .	3.0	5.2	10.7	14.7%	15.5%
Bedding and others . . . . .	6.7	9.3	15.2	8.8%	10.0%
	<u>175.8</u>	<u>282.5</u>	<u>552.3</u>	<u>12.6%</u>	<u>14.4%</u>

Apparel & footwear for babies and children is the largest segment in China's MBC Product retail market. Among all apparel & footwear products for babies and children, sports apparel and footwear products for babies and children are expected to rapidly gain popularity. The market for sports apparel and footwear products for babies and children grew at a CAGR of 12.1% from RMB22.5 billion in retail sales value in 2010 to RMB35.4 billion in retail sales value in 2014, and is expected to reach RMB74.6 billion in retail sales value in 2019, representing a CAGR of 16.0% from 2014 to 2019. The growth is mainly driven by increased purchasing power, Chinese government's favorable population policy and growing attention to children's sports training and Chinese parents' increasing demand for high-quality and diversified sports apparel and footwear products for their children.

Durable juvenile products also achieved high growth from 2010 to 2014. This increase was mainly attributable to the increasing popularity of high-quality branded products as well as higher sales of products with protective functions such as car seats. The retail sales value of car seats in China increased from RMB210 million in 2010 to RMB590 million in 2014, representing a CAGR of 29.5%; it is expected to grow at a CAGR of 24.3% and reach RMB1.8 billion in 2019.

### RETAIL SALES CHANNELS FOR MBC PRODUCTS IN CHINA

Chinese consumers can purchase MBC Products through various traditional offline sales channels and through emerging e-commerce sales channels. Offline sales channels typically include shopping malls, department stores, maternity and childcare specialty stores, supermarkets and hypermarkets and convenience stores. E-commerce sales channels include MBC websites, vertical mobile applications, online direct sales platforms and online marketplace.

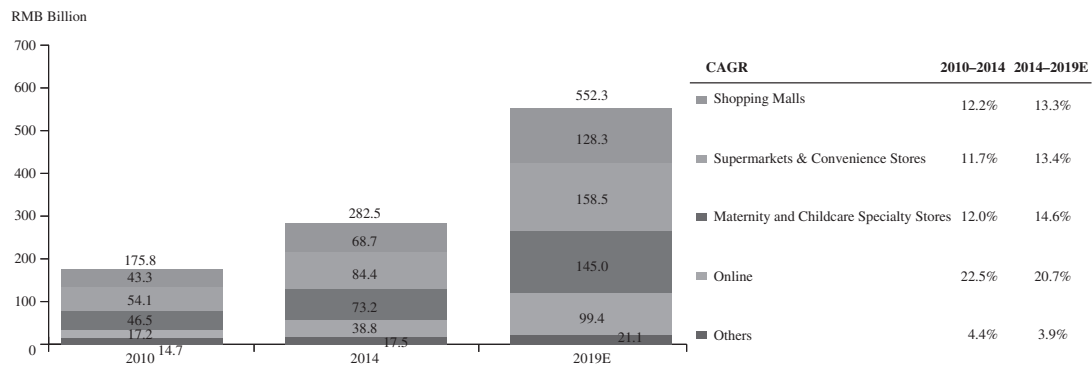
Offline sales channels are expected to remain the primary sales channels in China for MBC Products in the near future, especially in lower-tier cities and rural areas. In particular, driven by Chinese consumers' strong demand for branded MBC Products as well as the pleasant shopping

## INDUSTRY OVERVIEW

experience these sales channel provide, the maternity and childcare specialty stores and branded MBC Products retail counters and stores located in shopping malls and department stores in China have achieved fast growth in recent years. With rising safety and quality concerns in general and especially for MBC Products, Chinese parents are increasingly seeking sales channels where they can purchase authentic MBC Products and obtain professional advice.

The following table shows the retail sales value of MBC Products in China by sales channel for the periods indicated:

**Retail Sales Value of MBC Products in China by Sales Channel (2010-2019E)**

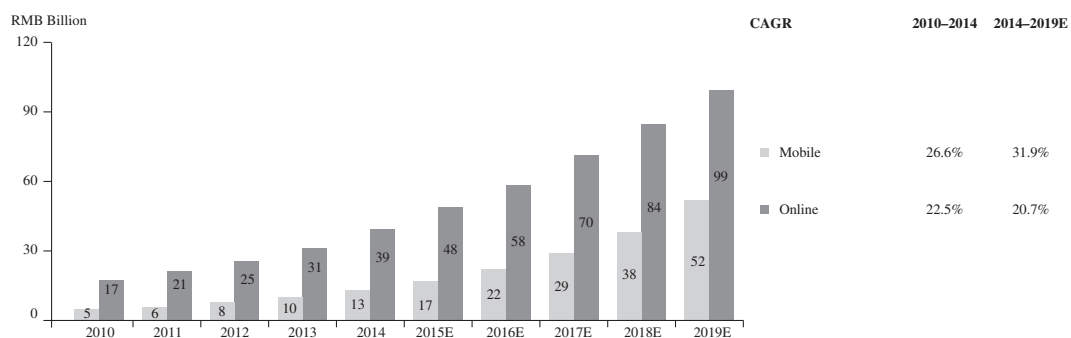


Source: Frost & Sullivan

Driven by the large and growing Internet and mobile Internet user base, online sales of MBC Products in China have experienced strong growth in recent years. Retail sales value of MBC Products sold through online channels (including Internet sales channels and mobile Internet sales channels) in China grew at a CAGR of 22.5% from 2010 to 2014, and are expected to reach RMB99.4 billion in 2019, representing a CAGR of 20.7% from 2014 to 2019.

The following graph shows retail sales value of MBC Products sold through online sales channels (including Internet sales channels and mobile Internet sales channels) and mobile Internet sales channels in China for the periods indicated:

**Online and Mobile Retail Sales of MBC Products in China (2010—2019E)**



Source: Frost & Sullivan

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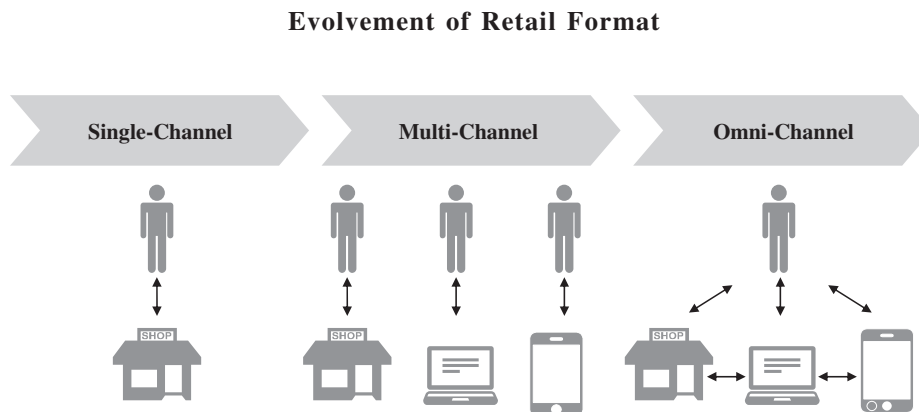
## INDUSTRY OVERVIEW

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### Omni-Channel Retailing

With the continuous evolution of China's consumer retail market and the proliferation of Internet and mobile Internet, multiple retail formats have emerged and various business models have been adopted in recent years. The retail formats prevailing in China have evolved from single-channel retailing involving a single sales channel, to multi-channel retailing using multiple sales channels, and further to omni-channel retailing, which integrates various offline, online and mobile sales channels.

The following graph shows the evolution of retail formats in China.



Omni-channel retailing is characterized by its integrated inventory management, sales channel management and customer management across online sales channels, offline retail stores and mobile applications. This integration delivers a flexible and integrated shopping experience to customers regardless of their location or the sales channel they use. Firstly, omni-channel retailers centralize their inventory management across all sales channels to minimize inventory risks in individual sales channels. Secondly, the logistics and sales channel management of omni-channel retailers is integrated across channels. For example, customers can place orders online and conveniently pick up the ordered products in nearby stores or have the nearby stores deliver the products to their doorsteps. Thirdly, omni-channel retailers are able to perform more thorough customer analysis leveraging their centralized CRM systems, which allows them to seamlessly manage interactions with their customers.

### KEY GROWTH DRIVERS FOR CHINA'S MBC PRODUCT RETAIL MARKET

#### Rising Purchasing Power with Growing Brand Loyalty and Product Safety Requirements

Along with increasing disposable income and living standards, Chinese consumers are continuously seeking MBC Products from renowned brands that they perceive to have superior product quality. In addition, Chinese parents have recognized the importance of product safety due to various safety incidents involving baby products. As such, retail channels that provide safe, high-quality MBC Products are gaining consumer trust and benefiting from the strong demand.

## INDUSTRY OVERVIEW

### Growing Demand for Comprehensive Product Offerings

Chinese consumers have become more familiar with MBC Products and have significantly increased their spending on MBC Products. To satisfy the growing demand for a broad range of products with diverse functions and designs, MBC Product companies have continuously worked on the development of new products and the improvement of existing products.

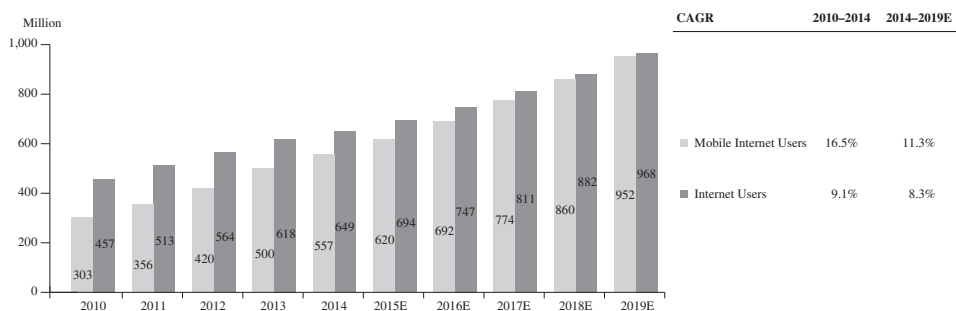
### Rising Sales in E-commerce Channels

The proliferation of Internet and mobile Internet technologies and smartphones enable Chinese consumers to conveniently purchase products online or via mobile devices. The improving order-fulfillment capabilities, expanding logistics network and availability of online payment options have significantly enhanced the popularity of e-commerce retailing among Chinese consumers.

China has the largest Internet community in the world. The number of Internet users in China increased from 457.3 million in 2010 to 648.8 million in 2014, representing a CAGR of 9.1%. This number is forecast to continue to rise at a CAGR of 8.3% to 967.5 million in 2019. Along with the improvement of mobile Internet technology and the proliferation of smartphones, the number of Chinese mobile Internet users also grew quickly in recent years, from 302.7 million in 2010 to 556.8 million in 2014, representing a CAGR of 16.5%. The number of Chinese mobile Internet users is expected to increase at a CAGR of 11.3% from 2014 to 2019, reaching 951.5 million in 2019.

The following graph shows the number of Internet and Mobile Internet users in China for the periods indicated:

**Number of Internet and Mobile Internet Users in China (2010-2019E)**



Source: China Internet Network Information Center; Frost & Sullivan

The years 2010 to 2014 saw a rapid rise in the number of China's online shoppers, from 160.5 million in 2010 to 376.3 million in 2014, representing a CAGR of 23.7%. The number of China's online shoppers is forecast to rise further to 938.4 million in 2019, representing a CAGR of 20.1% from 2014 to 2019. It is forecast that approximately 97.0% of China's Internet users will shop online by 2019, which indicates a huge market opportunity for e-commerce retailing.

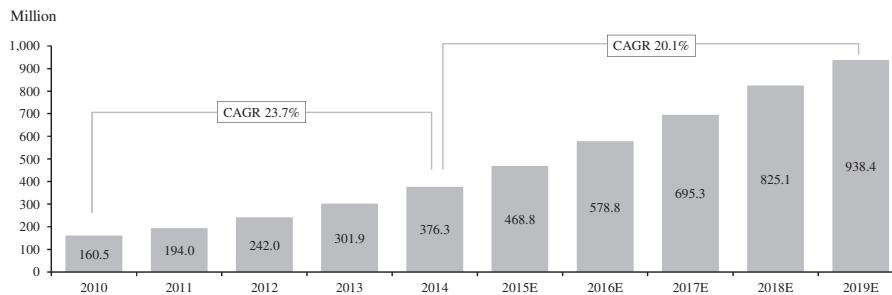
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## INDUSTRY OVERVIEW

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The following graph shows the number of online shoppers in China for the periods indicated:

**Number of Online Shoppers in China (2010-2019E)**



Source: China Internet Network Information Center; Frost & Sullivan

Driven by rising purchasing power and the increasing numbers of Internet and mobile Internet users and online shoppers, the online retail sales value in China increased from RMB523.1 billion in 2010 to RMB2,611.6 billion in 2014, representing a CAGR of 49.5%. The online retail sales value in China is expected to reach RMB12.7 trillion by 2019.

In recent years, Chinese consumers have been increasingly using online channels to purchase a wide variety of products. Online sales of consumer products such as books, apparel and consumer electronics have witnessed significant growth, accounting for 25%, 20% and 19% of their total sales in 2014, respectively. Online sales of MBC Products in China accounted for 14% of their total sales in 2014, and the percentage is expected to further increase to 18% in 2019.

China's MBC Product retail market has also benefited from the continued growth of e-commerce, with RMB38.8 billion in online retail sales value in 2014. Despite this rapid growth, the current penetration of MBC Product online retail sales is still lower than other consumer industries, with substantial room for future growth. The online retail sales value of MBC Products in China is forecast to reach RMB99.4 billion by 2019, representing a CAGR of 20.7% from 2014 to 2019. Online retail sales value of MBC Products as a percentage of total online retail sales value in China was 3.3% and 1.5% in 2010 and 2014, respectively. It is forecast that online retail sales value of MBC Products will account for 0.8% of total online retail sales value in China by 2019. The decrease was primarily because many traditional industries of much larger-scale, such as education and transportation related services, have significantly expanded their online presence in recent years.

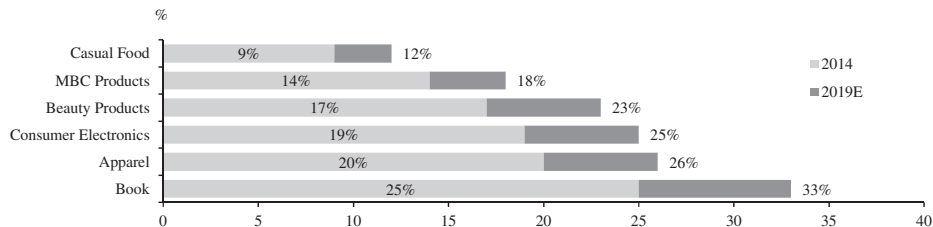
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## INDUSTRY OVERVIEW

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The following graph shows the online sales as a percentage of total retail sales by consumer industry for the periods indicated:

**Online Sales as a Percentage of Total Retail Sales in Selected Consumer Industries in China (2010-2019E)**



Source: China Internet Network Information Center; Frost & Sullivan

### COMPETITIVE LANDSCAPE OF CHINA'S MBC PRODUCT RETAIL MARKET

China's MBC Product retail market is highly competitive and fragmented with a wide range of market players. Barriers to entry into China's MBC Product retail market primarily include: (i) the established brands and customer base of leading retailers, (ii) the challenges of building a portfolio of high-quality products and reputable brands, (iii) the resources and complexity in building an extensive distribution network, (iv) understanding of consumer demand, and (v) supply chain management.

Major types of MBC Product retailers in China include:

- comprehensive retailers who sell a diversified portfolio of commodities, including (i) offline comprehensive retailers, such as operators of supermarkets and hypermarkets, and (ii) online comprehensive retailers that operate online marketplaces or direct-sales platforms, such as JD;
- MBC Product specialty retailers, including (i) retailers who generate a significant portion of revenue from the offline sales of MBC Products, (ii) retailers who generate a significant portion of revenue from sales of MBC Products through vertical web-based platforms or mobile applications, and (iii) retailers that generate a significant portion of revenue from sales of MBC Products on their own stores on third-party online platforms; and
- Brand owner retailers, which are the retail arms of MBC Product manufacturers that focus on the sales of their own products online or offline.

Compared to comprehensive retailers and brand owner retailers, MBC Product specialty retailers have been gaining higher market share in recent years, with its market share by retail sales value increasing from 23.5% in 2010 to 25.5% in 2014. The increase was primarily attributable to the tailored product offering and customer service the MBC Product specialty retailers are able to provide to its end-customers. The growth in the market share of MBC Product specialty retailers will continue in the next five years, reaching 27.9% by 2019.

## INDUSTRY OVERVIEW

We were a leading MBC Product retailer in China, and ranked No. 6 among all MBC Product retailers in China in 2014 in terms of retail sales value, with a market share of 1.17%. We were the largest MBC Product specialty retailer in China in 2014 in terms of retail sales value.

### Top MBC Product Retailers in China in 2014

Rank	Company Name	Market share among all MBC Product retailers (by retail sales value in 2014)
1	A	1.83%
2	B	1.72%
3	C	1.54%
4	D	1.50%
5	E	1.21%
<b>6</b>	<b>Our Group</b>	<b>1.17%</b>

### Top MBC Product Specialty Retailers in China in 2014<sup>(1)</sup>

Rank	Company Name	Market share among all MBC Product specialty retailers (by retail sales value in 2014)
<b>1</b>	<b>Our Group</b>	<b>4.58%</b>
2	A	1.86%
3	B	1.35%
4	C	1.32%
5	D	1.28%
6	E	1.07%

Source: Frost & Sullivan

<sup>(1)</sup> Total retail sales value of MBC Product specialty retailers in China accounted for 25.5% of the total retail sales value of MBC Products in China in 2014.

Because of our extensive offline sales network, we were also the largest offline MBC Product specialty retailer in China in 2014 in terms of offline retail sales value, with a 4.71% market share. As of December 31, 2014, we operated the largest offline retail network in China among all MBC Product specialty retailers in China in terms of the number of self-operated stores.

### Top Offline MBC Product Specialty Retailers in China in 2014<sup>(1)</sup>

Rank	Company Name	Market share among all MBC Product specialty retailers (by offline retail sales value in 2014)
<b>1</b>	<b>Our Group</b>	<b>4.71%</b>
2	A	2.19%
3	B	1.61%
4	C	1.56%
5	D	1.26%
6	E	1.19%

Source: Frost & Sullivan

<sup>(1)</sup> Total offline retail sales value of MBC Product specialty retailers in China accounted for 23.2% of the total offline retail sales value of MBC Products in China in 2014.



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## INDUSTRY OVERVIEW

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We were a leading retailer among all retailers selling MBC Products online in China. We ranked No. 6 among all retailers selling MBC Products online in China in 2014 in terms of online retail sales value, with a market share of 1.65%. We were the largest online MBC Product specialty retailer in China in 2014 in terms of total online retail sales value.

### Top Online MBC Product Retailers in China in 2014

Rank	Company Name	Market share among all retailers selling MBC Products online (by online retail sales value in 2014)
1 .....	A	10.94%
2 .....	B	3.61%
3 .....	C	2.35%
4 .....	D	1.83%
5 .....	E	1.78%
<b>6 .....</b>	<b>Our Group</b>	<b>1.65%</b>

### Top Online MBC Product Specialty Retailers in China in 2014<sup>(1)</sup>

Rank	Company Name	Market share among all online MBC Product specialty retailers (by online retail sales value in 2014)
<b>1 .....</b>	<b>Our Group</b>	<b>4.13%</b>
2 .....	A	1.81%
3 .....	B	1.36%
4 .....	C	1.16%
5 .....	D	1.10%
6 .....	E	0.84%

Source: Frost & Sullivan

<sup>(1)</sup> Total online retail sales value of MBC Product specialty retailers in China accounted for 39.9% of the total online retail sales value of MBC Products in China in 2014.

We were the largest retailer of sports apparel and footwear for babies and children in China in 2014 in terms of retail sales value, with a 3.61% market share, which was more than twice the market share of the second largest retailer.

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## REGULATORY OVERVIEW

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Set out below are summaries of certain aspects of the PRC laws and regulations which are relevant to the operation and business of the Company.

### **Laws and Regulations Relating to Foreign Investment in Commercial Fields**

The principal legal provisions governing foreign investment in the commercial sector are set out in the Measures for Administration on Foreign Investment in Commercial Fields (Revised in 2015) (《外商投資商業領域管理辦法(2015年修訂)》) (the “**Measures of Administration**”) which were promulgated on April 16, 2004 and came into effect on June 1, 2004, and was subsequently amended on October 28, 2015. Pursuant to the Measures of Administration, foreign investors are permitted to engage in the operation of distribution services on a wholly foreign-owned basis. Foreign-invested commercial enterprises can undertake the following business activities:

- i. commission agency: agents, brokers, auctioneers or other wholesalers of goods sell goods owned by others and provide relevant attached services through the collection of fees on the basis of contract;
- ii. wholesale: the selling of goods to retailers, customers of industry, commerce and organizations, or to other wholesalers and providing relevant attached services;
- iii. retail: the selling of goods for use by individuals or groups and providing relevant attached services in fixed places or through television, telephone, mail order, internet, vending machine.

Foreign investors can apply to set up both commercial enterprises and stores at the same time in accordance with certain procedures and guidelines set out in the Measures of Administration. The procedures for establishing a foreign-invested commercial enterprise involve the submission of an application, including application letter, feasibility study and other required documents, to the relevant provincial commerce department or the MOFCOM for approval.

Pursuant to the Notice of the Ministry of Commerce on Transferring Approval Rights of Foreign-invested Commercial Enterprises (《商務部關於下放外商投資商業企業審批事項的通知》) issued by the MOFCOM on September 12, 2008, the provincial commerce department shall be the approval authority of the establishment and modification of foreign-invested commercial enterprises. The enterprises that engage in non-store retailing through TV, telephone, mail order, Internet, vending machines, etc. or deal with the wholesale of audio-visual products and sale of books, newspapers and periodicals shall continue to be examined and approved by the MOFCOM.

### **Laws and Regulations Relating to Anti-Unfair Competition**

The principal legal provisions governing market competition are set out in the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), which was promulgated on September 2, 1993 and came into effect on December 1, 1993.

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The Anti-Unfair Competition Law of the PRC provides that business operators shall not undermine their competitors by engaging in any of the following improper market activities:

- i. using the registered trademarks of others without authorization;
- ii. using, without authorization, the names, packaging or decoration peculiar to well-known goods or using names, packaging or decoration similar to those of well-known goods so that their goods are confused with the well-known goods of others, causing buyers to mistake them for the well-known goods of others;
- iii. using, without authorization, the enterprise names or personal names of others on their own goods, leading purchasers to mistake them for the goods of others; and
- iv. forging or falsely using, on their goods, symbols of quality such as symbols of authentication and symbols of famous and high-quality goods, falsifying the origin of their goods, and making false representations which are misleading as to the quality of the goods.

Operators shall not practice bribery by using money, valuables or other means to sell or buy goods except by paying a kickback entered in the book factually. Where Operators give a discount to the other party or pay a commission to the middlemen, it must enter the items in the book factually. The party accepting a discount or commission must enter it in the book factually as well. Operators shall not use advertisement or other means to give false, misleading information on the quality, composition, performance, use, manufacturer, useful life, origin, etc. of the goods. Operators shall not sell merchandise at a price lower than the cost to edge out competitors. However, below-cost pricing in the situations of handling overstocked merchandise, seasonal price reduction or sales of merchandise at a reduced price because of settlement of indebtedness, change of business or close of business, is not considered inappropriate competitive behavior.

Any operator who commits any of the illegitimate acts listed in the Anti-unfair Competition Law of the PRC shall be ordered to desist from the illegal act, dispel the bad influence or compensate for the damages of the injured party, his illegal gains shall be confiscated and he may also be fined; if the circumstances are serious, his business license shall be revoked or even he shall be prosecuted for his criminal responsibility.

### **Laws and Regulations Relating to Product Sale through the Internet**

Pursuant to the Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》) which was promulgated and took effect on September 25, 2000 by the State Council, internet information services comprise commercial service and non-commercial services. The term of commercial internet information service refers to service activities such as provision for value to online subscribers through the internet of information or website production, etc. The term of non-commercial internet information service refers to the provision without compensation to online subscribers through the internet of information that is public and openly accessible. In order to engage in the provision of commercial internet information services, the applicant shall apply to the telecommunications administration authority of the province, autonomous region or municipality directly under the central government (the “**provincial telecommunications administration**

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**authority**”) or the relevant State Council’s department for an Internet Information Services Value-added Telecommunications Business License (the “**Value-added Telecommunications Business License**”). In order to engage in the provision of non-commercial internet information services, the applicant shall carry out record-filing procedure with the provincial telecommunications administration authority or the relevant State Council’s department. The one engaging in the provision of non-commercial internet information services without having completed the record-filing procedures, or providing services beyond the scope of the services placed in the record, the provincial telecommunications administration authority shall order rectification within a limited period of time. If the violator refuses to rectify the violation, the provincial telecommunications administration authority shall order the website to be shut down.

The Measures for the Archival Administration of Non-Commercial Internet Information Services (《非經營性互聯網信息服務備案管理辦法》) which was promulgated on February 8, 2005 and took effect from March 20, 2005 by the Ministry of Information Industry (the predecessor of the Ministry of Industry and Information Technology) formulates more detailed procedural requirements of record-filing for non-commercial internet information services providers.

Pursuant to the Circular of the General Office of the Ministry of Commerce on Some Issues Concerning the Approval and Administration of Foreign Investment Projects of Sale through Internet and Automat (《商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知》) which was promulgated by the MOFCOM and took effect on August 19, 2010, foreign invested commercial enterprises is allowed to directly engage in internet sales business subject to requisite approvals and registrations in accordance with the laws. The application for the establishment of a foreign invested enterprises specializing in internet sale shall be submitted to the competent provincial commerce departments for approval, the competent provincial commerce departments shall conduct strict examination and approval in accordance with the Measures of Administration and other relevant laws and regulations. Where a foreign invested enterprise provides network services for other dealing parties by taking advantage of its own network platform, it shall apply to the Ministry of Industry and Information Technology for Value-added Telecommunications Business License; where a foreign invested enterprise directly engages in commodity sale by using its own network platform, it shall file with the competent telecommunication administrative department.

Pursuant to Guiding Opinions of the Ministry of Commerce on Online Trading (for Tentative Implementation) (《商務部關於網上交易的指導意見(暫行)》), which was promulgated by the MOFCOM and took effect on March 6, 2007, the online trading service provider, which comprises online trading platform service provider and auxiliary online trading service providers, shall go through approval and registration formalities if required. The term of online trading platform service provider refers to the one who operates online trading platforms and provide the buyers and sellers with trading services. The term of online trading auxiliary service providers refers to the one who provides the buyers and the sellers with auxiliary services such as identity certification, credit evaluation, network advertisement publishing, network marketing, online payment, logistics distribution, trading insurance, etc. in order to optimize the online trading environment and to promote the online trading.

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To summarize the approval or record-filing formalities in relation to online sale under the PRC laws and regulations, in the event that a person or an enterprise sells commodities or services by using its own online trading platform, it shall file with the competent telecommunication administrative department; in the event that a person or an enterprise sells commodities or services by using the online trading platform provided by others, it does not need to apply for the Value-added Telecommunications Business License or conduct record-filing with the competent telecommunication administrative department, meanwhile the online trading platform provider shall apply for and hold the Value-added Telecommunications Business License to operate the online trading platform.

### **Laws and Regulations Relating to Personal Information Protection**

Pursuant to the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which was promulgated by the Ministry of Industry and Information Technology on July 16, 2013 and became effective on September 1, 2013, telecommunication business operators and internet information service providers shall be responsible for the security of the personal information, which refers to the information that can identify the user individually or in combination with other information and that is collected in the course of provision of services within the territory of the People's Republic of China by the telecommunication business operators and internet information service providers, such as name, birth date, ID number, address, telephone number, account number and user code, and the information on the time and place when and where the user uses the aforementioned service. Without consent of the users, telecommunication business operators and internet information service providers shall not collect or use the personal information of users. Where the telecommunication business operators or internet information service providers collect or use personal information of users, they shall expressly advise users about the purpose, method and scope of the collection or use of information, and the ways to inquire or correct information, and the consequences of refusal to provide information, among others. In addition, the telecommunication business operators or internet information service providers shall keep the personal information of users in strict confidence, including not selling or illegally providing it to others and taking proper measures to prevent any divulge, damage, tamper or loss.

### **Laws and Regulations Relating to Product Quality and Consumer Protection**

#### ***Product Quality***

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was promulgated on February 22, 1993, became effective on September 1, 1993, and was subsequently amended on July 8, 2000, producers are liable for the quality of the products they produce. Where anyone produces or sells products that do not comply with the relevant national or industrial standards safeguarding the health and safety of persons and property, the relevant authority will order such person to suspend the production or sales, confiscate the products, impose a fine of an amount higher than the value of the products and less than three times of the value of the products, confiscate illegal gains (if any) as well as revoke the business license in severe cases. Where the activities constitute a crime, the offender will be prosecuted.

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### *Product Liabilities*

Manufacturers and distributors of defective products in the PRC may incur liability for losses and injuries caused by such products. Under the General Principles of the Civil Laws of the PRC (《中華人民共和國民法通則》), which became effective on January 1, 1987, and the Law on the Protection of Consumer Rights and Interests of the PRC (《中華人民共和國消費者權益保護法》), which was promulgated on October 31, 1993, became effective on January 1, 1994 and was amended on August 27, 2009 and October 25, 2013, the manufacturers and distributors will be held liable for losses and damages suffered by consumers caused by the defective products manufactured or distributed by them. If the goods or services distributors provide have caused damage to the properties of consumers, the distributors shall, among others, bear civil liability by means of repair, remanufacturing, replacement, return of goods, make-up for the shortage in quantity, return of payment for goods and services, or compensation for losses in accordance with the law or the agreement between the parties.

According to the Administrative Measures for Online Trading (網絡交易管理辦法), which was promulgated by SAIC on January 26, 2014 and took effect on March 15, 2014, where an online commodity operator sells commodities, the consumer is entitled to return the commodities within seven days from the date after receipt of the commodities without giving a reason, except for the following commodities: 1. customized commodities; 2. fresh and perishable commodities; 3. audiovisual products downloaded online or unpackaged by consumers and computer software and other digital commodities; and 4. newspapers and journals that have been delivered.

Save for the commodities listed in the preceding paragraph, return without reasons does not apply to those commodities as confirmed by consumers that are not suitable for return given their nature when purchased. Commodities returned by consumers shall remain in good condition. The online commodity operators shall, within seven days upon receipt of the returned commodities, refund the prices paid by consumers for the relevant commodities. Freight for the returned commodities shall be borne by the consumers; where the online commodity operators and the consumers reach an agreement separately, such agreement shall prevail.

Under the above-mentioned laws and regulations, it is required to ensure that the products which we produce and sell meet the requirements for safeguarding human health and ensuring human and property safety. Failing to do so will lead to a series of penalties, including the suspension of production and sale, confiscation of the products and earnings, imposition of fines, revocation of business licenses, and/or even criminal liabilities. In addition, if the products cause personal injuries or other forms of torts, lawsuits and liabilities in tort would be brought in.

### **Laws and Regulations Relating to Retailing**

The Administrative Measures for Fair Transactions Between Retailers and Suppliers (《零售商供應商公平交易管理辦法》) were promulgated by the MOFCOM on October 13, 2006 and came into effect with the approval of the NDRC, the Public Security Bureau (公安部), the State Administration of Taxation (國家稅務總局) and the State Administration of Industry and Commerce (國家工商行政管理總局) of the People's Republic of China on November 15, 2006. Such Administrative Measures promote the protection of a fair marketplace and the lawful rights of consumers by regulating trading activities between retailers and suppliers.

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The departments of commerce, price, tax and administrations for industry and commerce shall supervise and administer the activities stipulated in these Measures within their respective jurisdictions. With regard to the activities possibly deemed as crime, they shall report to public security authorities to handle under law. The commercial authorities above county level shall dynamically supervise the fair dealing of retailers and suppliers with other relevant departments at the same level, make risk warning and timely make countermeasures. Any unit or individual is entitled to report the activities violating the stipulation of these Measures to the aforementioned departments. The relevant departments shall investigate and prosecute according to law after receiving the report.

Retailers or suppliers violating the provisions of these Measures shall be punished according to the provisions of the laws and regulations; if there are not such provisions, otherwise, they shall be ordered to correct their behaviors; in case there is illegal income, they may be fined with below three times of illegal income but not more than RMB30,000; in case there is no illegal income, they may be fined with below RMB10,000 and publicized to the public. If local commercial, price, tax, administration for industry and commerce departments above county level find the retailer suspicious of being involved in obtaining the suppliers' payment for commodities by deception, they shall transmit the clue of suspected crime to the local public security authorities. The public security authorities shall timely conduct investigation. In case of suspected crime, the case shall be filed and investigation shall be conducted.

The Administrative Measures for the Sales Promotion Acts of Retailers (《零售商促銷行為管理辦法》) were promulgated by the MOFCOM on September 12, 2006 and came into effect with the approval of the NDRC, the Public Security Bureau, the State Administration of Taxation and the State Administration of Industry and Commerce of the People's Republic of China on October 15, 2006. Such Administrative Measures promote a fair and competitive marketplace and the protection of the lawful rights of consumers by regulating and standardizing promotional and sales activities amongst retailers.

### **Laws and Regulations Relating to Sale of Cosmetics**

Pursuant to the Regulations on The Hygiene Supervision Over Cosmetics (《化妝品衛生監督條例》), which was promulgated on November 13, 1989 and took effect from January 1, 1990, and Detailed Rules for the Implementation of the Regulation on the Hygiene Supervision over Cosmetics (《化妝品衛生監督條例實施細則》), which was last amended on May 20, 2005 and took effect from the same date, all units or persons who are engaged in the production and business of cosmetics must abide by these Regulations. No unit or person in the cosmetics business shall be allowed to sell cosmetics of the following kinds:

- i. the cosmetics produced by an enterprise without a Hygiene License for the Production Enterprise of Cosmetics;
- ii. the cosmetics without a quality tag;
- iii. the cosmetics of which the label, the smaller package or the specification sheet does not conform to the rules stipulated in Article 12 of Regulation on the Hygiene Supervision over Cosmetics;



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- iv. the special cosmetics without an approval document;
- v. the cosmetics that has expired.

Those who sell any cosmetics that are not up to the State Hygiene Standard for Cosmetics shall be punished by having their products and illegal earnings confiscated and by a fine 3 to 5 times their illegal earnings.

### **China Compulsory Certification (CCC) on Child Safety Seats**

General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (國家質量監督檢驗檢疫總局, AQSIQ) and Certification and Accreditation Administration of the People's Republic of China (國家認證認可監督管理委員會, CNCA) issued the Notification concerning Implementation of China Compulsory Certification on Restraining Devices for Child Occupants of Power-driven Vehicles (關於機動車兒童乘員用約束系統實施強制性產品認證的公告) on January 22, 2014, according to which, in case that child safety seats fail to obtain China compulsory certification (CCC) or no such certification logo is marked, no use of such products in exit-factory, sales, import or other operation activities is allowed since September 1, 2015. Nevertheless, as confirmed and advised by our PRC legal adviser, Jingtian & Gongcheng, in accordance with the a notice issued by the Certification and Accreditation Administration of the People's Republic of China and its appendixes, we are permitted to sell child safety car seats manufactured before September 1, 2015 without an affixation of the certificate logo. On December 16, 2014, CNCA promulgated the Description and Definition Table of Catalogue for Compulsory Product Certification (2014 Revision) (強制性產品認證目錄描述與界定表(2014年修訂)) which included child restraint systems in the catalogue for compulsory product certification. On August 24, 2015, CNCA further promulgated the Circular on Comprehensively Enforcement of the Child Restraint Systems and Fire Products Newly Added in Catalogue for Products under Compulsory Product Certification (關於全面開展強制性產品認證目錄內兒童乘員用約束系統及新增消防產品行政執法工作的通知), which required local quality and technical inspection authorities to ensure the full implementation of compulsory certification for these products.

### **Laws and Regulations Relating to Import and Export of Goods**

Pursuant to the Foreign Trade Law of PRC (《中華人民共和國對外貿易法》), which was revised on April 6, 2004 and took effect from July 1, 2004, foreign trade dealers engaged in the import and export of goods or technology shall register with the authority responsible for foreign trade under the State Council or its authorized bodies unless the laws and regulations and the authority responsible for foreign trade under the State Council do not require so. Where foreign trade dealers fail to register as required, the customs authority shall not process the procedures of declaration, examination and release of the imported and exported goods.

According to the Circular of the Ministry of Commerce on Relevant Issues Concerning the Record Keeping and Registration of the Right to Foreign Trade by Foreign-funded Enterprises (《商務部關於外商投資企業外貿權備案登記有關問題的通知》), which was promulgated and took effect from August 17, 2004, where foreign-funded enterprises duly established apply for the addition of any import/export business to their approved scope of business, they must, in accordance with the

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Measures for the Record-keeping and Registration by Foreign Trade Dealers (《對外貿易經營者備案登記辦法》), complete the formalities of adding business items to the enterprises' business licenses and shall, in accordance with the relevant procedures, complete the formalities of record-keeping and registration ( note: no formalities of change are required in regard to the approval certificate for its establishment).

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Agents by PRC Customs Authorities (《中華人民共和國海關對報關單位註冊登記管理規定》), which was promulgated on March 31, 2005 and amended on March 13, 2014, consignors and consignees of imported and exported goods carry out the customs declaration entity registration formalities with their local Customs in accordance with the applicable provisions. Such consignors and consignees may handle their own customs declarations for their imported and exported goods at any customs port or any locality where customs supervisory affairs are concentrated within the customs territory of the People's Republic of China.

### **Laws and Regulations Relating to Employment and Social Insurance**

#### *Employment Contracts*

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated on July 5, 1994 and became effective on January 1, 1995, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which became effective on January 1, 2008 and was amended on December 28, 2012, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or entities on one hand and the laborers on the other hand.

#### *Employee Benefits*

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》), amended on December 20, 2010 and came into effect on January 1, 2011, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》), implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》), issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》), promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》), promulgated on January 22, 1999, and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), implemented on July 1, 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise fails to pay the required premiums on time or in full amount, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of one to three times of the overdue amount will be imposed.

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According to the Regulation on Management of Housing Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999, became effective on the same day and was amended on March 24, 2002, enterprises must register with the competent managing center for housing funds and, upon the examination by such managing center of housing fund, complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing funds. The payment is required to be made to local administrative authorities. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

### **Laws and Regulations Relating to Trademark administration**

#### *Overview of trademark administration*

The Trademark Law of the PRC (《中華人民共和國商標法》) (Order No. 6 of the President, effective from March 1, 1983 and amended on February 22, 1993, October 27, 2001 and August 30, 2013 and came into effect on May 1, 2014) and Regulation for the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) (Order No. 651 of the State Council, effective from September 15, 2002 and amended on April 29, 2014 and came into effect on May 1, 2014) provides that the Trademark Office of the SAIC (the “**Trademark Office**”) shall be responsible for the registration and administration of trademarks throughout the country and the Trademark Review and Adjudication Board of the State Administration for Industry and Commerce under the State Council shall be responsible for handling trademark disputes.

Registered trademarks refer to trademarks that have been approved and registered by the Trademark Office, which include commodity trademarks, service trademarks, collective marks and certification marks. The trademark registrant shall enjoy an exclusive right to use the trademark, which shall be protected by laws and regulations. Any visible mark in the form of word, graphic, alphabet, number, 3D (three-dimension) mark, color combination, sound, or the combination of these elements that can distinguish the commodities of the natural person, legal person or other organizations from those of others can be registered as a trademark. Trademark for which an application is filed for registration shall be as distinctive as to be distinguishable, and shall not go against the legitimate right previously obtained by others. A trademark registrant is entitled to tag the words “Registered Trademark” or a sign indicating that it is registered.

A public announcement shall be made upon completion of a preliminary examination of the trademark pending for registration by the Trademark Office. Any person with pre-existing right or interests may, within three months from the date of the publication, file an opposition against the trademark that has been preliminarily approved upon examination. If no objection has been received upon expiry of the said period, the registration shall be approved, a certificate of trademark registration shall be issued and the trademark shall be published. The valid period of a registered trademark is ten years from the date of the approval for registration. Where the registrant intends to continue to use the registered trademark beyond the expiration of the period of validity, an application for renewal of the registration shall be made within twelve months before the said expiration. Where

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## REGULATORY OVERVIEW

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no application therefor has been filed within the said period, a grace period of six months may be allowed. If no application has been filed before the expiration of the grace period, the registered trademark shall be cancelled. The period of validity of each renewal of registration shall be ten years. Any renewal of registration shall be published after it has been approved.

Any trademark registrant may, by signing a trademark license contract, authorize other persons to use his registered trademark. The licensor shall supervise the quality of the goods in respect of which the licensee uses his registered trademark, and the licensee shall guarantee the quality of the goods in respect of which the registered trademark is used.

Any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (1) using a trademark which is identical with a registered trademark on the same kind of commodities without a license from the registrant of the registered trademark; (2) using a trademark which is similar to a registered trademark on the same kind of commodities, or using a trademark that is identical with or similar to the registered trademark on similar goods without a license from the registrant of the registered trademark, which is likely to cause confusion; (3) selling commodities that infringe upon the right to exclusive use of a registered trademark; (4) counterfeit or unauthorized production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorization; (5) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; (6) providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (7) causing other damage to the right to exclusive use of a holder of a registered trademark.

In the event of infringement of the registered trademark above that leads to disputes, the parties concerned shall settle such disputes through negotiations; where no negotiation is prospective or fails, the trademark registrant or any interested party may file a lawsuit before the People's Court or request the administrative department for industry and commerce for handling. Where there is dispute concerning the amount of compensation for infringing the exclusive right to use the trademark, the party concerned may request the administrative department for industry and commerce for mediation or file a lawsuit before the People's Court pursuant to the Civil Procedure Law of the People's Republic of China; In case of absence of agreements or nonperformance of mediation agreement upon effectiveness after the mediation by the administrative department for industry and commerce, any party concerned may file a lawsuit before the People's Court pursuant to the Civil Procedure Law of the People's Republic of China.

### ***Patent Law***

Patents in the PRC are mainly protected under the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the Standing Committee of the NPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, and its implementation rules (《中華人民共和國專利法實施細則》), which was promulgated by the State Council on June 15, 2001 and amended on December 28, 2002 and January 9, 2010. The Patent Law of the PRC and its implementation rules provide for three types of patents, "invention," "utility model" and "design". "Invention" refers to any new technical solution relating to a product, a process or improvement

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## REGULATORY OVERVIEW

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thereof; “utility model” refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and “design” refers to any new design of the shape, pattern, color or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for “invention” is 20 years, and the duration of a patent right for “utility model” or “designs” is 10 years, from the date of application.

In the event that a dispute arises due to a patent being exploited without the prior authorization of the patentee, that is to say an infringement upon the patent right of the patentee, then it shall be settled through consultation involving both parties. In the event that one or both parties are unwilling to submit to consultation, or if the consultation fails, then the patentee or any interested party may initiate legal proceedings in the People’s Court, or request the patent administrative department to handle the matter. In the event the patent administrative department, when handling the matter, believes the infringement is established, it may order the infringing party to cease the infringement with immediate effect. If the infringing party is not satisfied with the ruling, it may, within 15 days from the date of receiving the notification of the order, initiate legal proceedings in the People’s Court in accordance with the Law of the People’s Republic of China on Administrative Proceedings. If the infringing party neither takes legal action at the expiration of the time limit nor ceases the infringement, the patent administrative department may request the People’s Court for a compulsory execution of the aforementioned order. The patent administrative department may, upon the request from both or either of the parties, conduct mediation in respect of the amount of compensation for the damage caused by the infringement upon the patent right. If the mediation fails, the parties may initiate legal proceedings in the People’s Court in accordance with the Civil Procedure Law of the People’s Republic of China.

### *Domain names*

The Measures for the Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) (the “**Domain Name Measures**”) were promulgated by the then existing Ministry of Information Industry on November 5, 2004, and came into effect on December 20, 2004. The Domain Name Measures regulate registrations of domain names with the Internet country code “.cn” and domain names in Chinese. The establishment of any domain name root server or institution for operating domain name root servers within the territory of the People’s Republic of China shall be subject to the approval of the Ministry of Information Industry. In case anyone establishes any domain name root server or institution for operating the domain name root servers without administrative license or establishes any domain name registry or domain name registrar without permission, the Ministry of Information Industry shall take measures to prevent it from carrying out business or providing services in accordance with the provisions of Article 81 of the Administrative Licensing Law of the People’s Republic of China, and give it warnings or impose a fine of less than RMB30,000 according to the circumstances.

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## REGULATORY OVERVIEW

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### Laws and Regulations Relating to Taxation

#### *Enterprise Income Tax*

On March 16, 2007, the National People's Congress enacted the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which became effective as of January 1, 2008. On December 6, 2007, the State Council enacted the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which also became effective as of January 1, 2008 (collectively, the “**EIT Law**”). According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries (regions) but whose actual or de facto control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries (regions) and whose actual administration is conducted outside the PRC, but (i) have entities or premises in China, or (ii) have no entities or premises but have income generated from China. According to the EIT Law, foreign invested enterprises in the PRC are subject to enterprise income tax at a uniform rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises inside the PRC and that is sourced outside the PRC but is actually connected with the said establishment or premises. A non-resident enterprise that has no establishment or premises within the PRC but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from the PRC.

The PRC and Hong Kong governments entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement**”) on August 21, 2006. According to the Arrangement, the withholding tax rate on dividends paid by a PRC company to a Hong Kong resident entity is 5% if such Hong Kong resident entity directly holds at least 25% of the equity interest in the PRC company, and 10% if the Hong Kong resident entity holds less than 25% of the equity interest in the PRC company.

#### *Enterprise Income Tax on Indirect Transfer of Non-resident Enterprises*

On February 3, 2015, the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular 7**”) was promulgated by the PRC State Administration of Taxation, which repealed certain provisions in the Notice on Strengthening the Administration of Enterprises Income Tax on Non-Resident Enterprises (關於加強非中國居民企業股權轉讓所得企業所得稅管理的通知) (“**Circular 698**”) issued by the PRC State Administration of Taxation on December 10, 2009.

According to Circular 7, when a non-resident enterprise (not including individuals or PRC resident enterprises) transfers the assets (including equity interests) in an overseas holding company which directly or indirectly owns PRC taxable properties, including shares in a PRC company (“**PRC Taxable Assets**”), for the purposes of avoiding PRC enterprise income taxes through an arrangement



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## REGULATORY OVERVIEW

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without reasonable commercial purpose, such indirect transfer should be reclassified and recognized to be a direct transfer of the assets (including equity interests) of a PRC resident enterprise in accordance with the Enterprise Income Tax Law, and the income received from the transfer will be subject to PRC tax at a rate of up to 10%. Circular 7 provides clearer criteria than Circular 698 in determining “reasonable commercial purposes” and introduces safe harbor scenarios where this tax can be exempted. As Circular 7 was newly implemented and only became effective in February 2015, there is limited guidance and practical experience regarding the application and enforcement of Circular 7 and the related SAT notices and it remains uncertain whether such exemptions will be applicable to the transfer of our Shares by our Shareholders or whether any future acquisition by us outside of the PRC involving PRC Taxable Assets will be reclassified by applying Circular 7.

### *Dividend Tax*

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the State Administration of Taxation (the “SAT”) and became effective on February 20, 2009, all of the following requirements shall be satisfied in order to enjoy the preferential tax rates provided under the tax agreements:

- i. the tax resident that receives dividends should be a company as provided in the tax agreement;
- ii. the equity interests and voting shares of the PRC resident company directly owned by the tax resident reaches the percentages specified in the tax agreement; and
- iii. the equity interests of the Chinese resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reach a percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (《非居民享受稅收協定待遇管理辦法(試行)》), which came into force on October 1, 2009, if a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the preferential tax treatments under the tax agreements, it shall submit an application for approval to the competent tax authority. On August 27, 2015, the SAT promulgated the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》), which became effective as of November 1, 2015 and the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) was terminated on the same date. Under the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.



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## REGULATORY OVERVIEW

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### *Value-Added Tax*

Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994. The Provisional Regulations were amended on November 10, 2008 and the amended Provisional Regulations came into effect on January 1, 2009. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011年修訂)》) were promulgated by the Ministry of Finance (財政部) and the SAT on December 15, 2008 and were amended and came into effect on November 1, 2011 (collectively, the “VAT Law”). According to the VAT Law, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax.

### **Laws and Regulations Relating to Foreign Exchange**

#### *Foreign exchange administration*

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》). The Foreign Exchange Administration Regulations was enacted by the State Council on January 29, 1996 and implemented on April 1, 1996. On January 14, 1997 and August 5, 2008, the State Council amended the Foreign Exchange Administration Regulations. According to the Foreign Exchange Administration Regulations currently in effect, international payments in foreign currencies and transfer of foreign currencies under current items shall not be restricted. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

Pursuant to the Regulation of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), promulgated on June 20, 1996 by the PBOC and which became effective on 1 July 1996, the Foreign-Invested Enterprises (“FIE”), may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial supporting documents and, in the case of capital account item transactions, obtaining approvals from the SAFE.

On August 29, 2008, the SAFE promulgated the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知》) (the “SAFE Circular 142”) regulating the conversion by a foreign-invested enterprise of its foreign currency registered capital into Renminbi. The SAFE Circular 142 provides that the Renminbi fund converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. The use of such Renminbi fund may not be altered without approval, and such Renminbi fund may not in any case be used to repay any Renminbi loans that were taken out but that have not been utilized. Violations of the SAFE Circular 142 could result in severe monetary penalties. On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested

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Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “**SAFE Circular 19**”), which became effective on June 1, 2015 and replaced the SAFE Circular 142. Under the SAFE Circular 19, the restriction is abolished that the using the Renminbi fund converted from foreign currency registered capital of a foreign-invested enterprise for equity investments within the PRC. Meanwhile, the use of such Renminbi should still obey the restrictions as set in this circular, such as it cannot be directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations; investment in securities unless otherwise provided by laws and regulations; granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

### *Dividend distribution*

The principal laws governing dividend distributions by our PRC subsidiaries include the PRC Company Law (《中華人民共和國公司法》), which was promulgated on December 29, 1993 and became effective on July 1, 1994 and was subsequently amended on December 25, 1999, August 28, 2004 and October 27, 2005 and on December 28, 2013. Dividend distribution by wholly foreign-owned enterprises (“**WFOE**”) and Sino-foreign equity joint ventures (“**EJV**”) are further governed by the PRC Law Concerning Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), which was promulgated on April 12, 1986 and revised on October 31, 2000, and its Implementation Regulations (《中華人民共和國外資企業法實施細則》) promulgated on December 12, 1990 and revised on April 12, 2001 and February 19, 2014, the PRC Law on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) promulgated on July 8, 1979 and revised on March 15, 2001 and the Implementation Regulations (《中華人民共和國中外合資經營企業法實施條例》) promulgated on September 20, 1983 and revised on December 21, 1987, July 22, 2001, January 8, 2011 and February 19, 2014.

Under these laws and regulations, PRC companies, including WFOEs and EJVs, may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting principles. In addition, PRC companies, including domestic companies, WFOEs and EJVs are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves are not distributable as cash dividends. Furthermore, EJVs and WFOEs in the PRC may also be required to set aside individual funds for employee welfare, bonuses and development, at the discretion of such PRC companies and as stipulated in their articles of association. These reserves or funds are not distributable as dividends.

### *Circular No. 37*

The SAFE promulgated Circular 37 on July 4, 2014 which rescinded the Circular 75. Pursuant to Circular 37, domestic resident, individuals or institutions, are required to register with the bureau of foreign exchange administration before they invest in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC. Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions imposed on the subsequent foreign

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## REGULATORY OVERVIEW

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exchange activities of the relevant domestic residents, including the remitting back of dividends and profits. Domestic residents who invest special purpose vehicles with legitimate assets or equity interests inside and outside the PRC prior to the implementation of the Circular 37, but fail to conduct the foreign exchange registration of overseas investments shall submit explanatory statement and state the reasons to the bureau of foreign exchange administration. The bureau of foreign exchange administration may allow complementary registration under the principles of legality and legitimacy. In the event of any violation of foreign exchange regulations by domestic residents who apply for the foresaid complementary registration, administrative penalty would be imposed in accordance with relevant laws. According to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the “SAFE Circular 13”) which was promulgated on February 13, 2015 and became effective on June 1 2015, the above mentioned registration under Circular 37 will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and that has opened the capital account information system at the foreign exchange regulatory authority in the place where it is located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### BACKGROUND AND HISTORY

#### Our History

Our Company was incorporated in the Cayman Islands under the Cayman Companies Laws as an exempted company with limited liability on July 30, 2012. We are China's largest omni-channel speciality retailer for MBC Products and one of China's leading sales platform amongst all retailers selling MBC Products, each as measured by total retail sales value in 2014 according to Frost & Sullivan. Our core business focuses on offering a wide spectrum of MBC Products in China through our retail platform, which is built around our fast-growing online sales network, our traditional national wide offline sales network and our recently-launched mobile application, mamahao (媽媽好). We also design, develop and distribute apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB. Our Group's history dates back to 1989, when our co-founder, chairman and executive Director, Mr. Song, first started the durable juvenile products business using the proceeds received from selling a baby stroller patented design invented by himself.

#### Our Development Milestones

The following table sets forth major events and milestones in development:

Year	Key Development Milestones
1989	<ul style="list-style-type: none"><li>• Mr. Song started the durable juvenile products business</li></ul>
1993	<ul style="list-style-type: none"><li>• commenced offline retail sales of products under the Goodbaby Brands</li></ul>
2002	<ul style="list-style-type: none"><li>• commenced offline retail sales of sports apparel and footwear for babies and children under the Nike brand</li></ul>
2007	<ul style="list-style-type: none"><li>• established a joint venture with Mothercare UK and commenced offline retail sales of products under the Mothercare Brands</li></ul>
2010	<ul style="list-style-type: none"><li>• GCCL was demerged from GCPC</li><li>• launched our own web-based sales platform, haohaizi.com</li><li>• launched the first Goodbaby Brands flagship store on Tmall</li></ul>
2011	<ul style="list-style-type: none"><li>• commenced sales to authorized third-party online retailers</li></ul>
2012	<ul style="list-style-type: none"><li>• commenced sales to online key accounts</li></ul>
2013	<ul style="list-style-type: none"><li>• launched Kids Station, our one-stop shopping destination for apparel and footwear products for babies and children under multiple sports &amp; leisure brands</li></ul>
2015	<ul style="list-style-type: none"><li>• launched our mobile application, mamahao (媽媽好)</li></ul>

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OUR CORPORATE DEVELOPMENTS

The major corporate developments of our Group which were material to the performance of our Group since the beginning of the Track Record Period are set out below:

#### GCCL

GCCL was established as a wholly foreign-owned enterprise in the PRC on June 11, 2010 by GBHK to acquire certain businesses from GCPC that were excluded and demerged from the GBI Group which involved, at the time of the de-merger, retail and distribution of MBC Products (including durable juvenile and non-durable MBC Products) and the manufacturing, design and R&D of non-durable MBC Products. GCPC was established in 1994 and is an indirectly wholly-owned subsidiary of the GBI Group. In 2010, in preparation of the listing of the GBI Group on the Main Board and pursuant to a De-merger Agreement entered into between GCPC and the legal representatives of GCCL, certain businesses of GCPC were demerged from the GBI Group and transferred to GCCL. GCCL commenced business since the date of its incorporation on June 11, 2010 and is principally engaged in the sourcing, distribution and retail business of MBC Products and the manufacturing, design and R&D of non-durable MBC Products in the PRC. At the time of its establishment, the initial registered capital of GCCL was US\$30,000,000 and it was wholly-owned by GBHK, a member of the GBI Group. On June 20, 2010, GBHK transferred its entire equity interest in GCCL to GCHL and GCCL became a wholly-owned subsidiary of GCHL upon completion of such transfer.

#### MGRL

MGRL was established as a wholly foreign-owned enterprise in the PRC on September 13, 2007 with an initial registered capital of US\$7,000,000 and commenced business since the date of its incorporation. MGRL is a PRC operating company principally engaged in the retail business of MBC Products under the Mothercare Brands pursuant to our majority-owned joint venture with Mothercare UK. At the time of its establishment, MGRL was wholly-owned by MGCR, which was in turn owned as to 70% by GBI at the time and 30% by Mothercare HK. After a series of intra-group transfer, the 70% interest in MGCR was transferred to RCBL, our wholly-owned subsidiary, on June 20, 2008.

#### SHFS

SHFS was established as a limited liability company in the PRC on January 20, 1998 with an initial registered capital of RMB1,000,000 and commenced business since the date of its incorporation. SHFS is principally engaged in the distribution and retail business of MBC Products in the PRC. At the time of its establishment, SHFS was owned as to 90% by GGCL and 10% by Shanghai Goodbaby Children Products Corporation, which was a subsidiary of GGCL and has now ceased to operate.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Subsequent to a series of intra-group transfer by the then shareholders of SHFS, SHFS was owned as to 75% by GCPC and 25% by GBHK on March 17, 2008. Pursuant to the De-merger Agreement, 75% of the equity interests of SHFS, being the entire interest held by GCPC in SHFS which was valued at RMB7,500,000 with reference to the registered capital of SHFS, was demerged from the GBI Group and was transferred to GCCL on July 22, 2010. In order to further consolidate the entire ownership interest of SHFS under our Group, GBHK transferred 25% of the equity interest of SHFS to GCHL on July 22, 2010 at a consideration of RMB2,500,000, which was determined with reference to the registered capital of SHFS. Upon completion of such transfer, SHFS was owned as to 75% by GCCL and 25% by GCHL.

### SGCP

SGCP was established as a limited liability company in the PRC on March 7, 2001 with an initial registered capital of RMB500,000. SGCP is principally engaged in the distribution and retail business of MBC Products in the PRC. At the time of its establishment, SGCP was owned as to 90% by GGCL and 10% by Kunshan Goodbaby Plastic Products Factory, which was a subsidiary of GGCL and has now ceased to operate.

For the background and recent corporate developments of SGCP pursuant to the Reorganization, please refer to the paragraph headed “—Reorganization—Acquisition of SGCP by GCCL from Mr. Song and Ms. Fu” in this section of this prospectus.

### MAMA

MAMA was established as a limited liability company in the PRC on July 23, 2015 with an initial registered capital of US\$2,000,000. MAMA is the operating company of our new mobile application (mamahao (媽媽好)) sales business.

For the background and recent corporate developments of MAMA pursuant to the Reorganization, please refer to the paragraph headed “—Reorganization—Incorporation of the intermediate holding companies for the mobile application sales business operated by MAMA” in this section of this prospectus.

### INCORPORATION OF OUR COMPANY

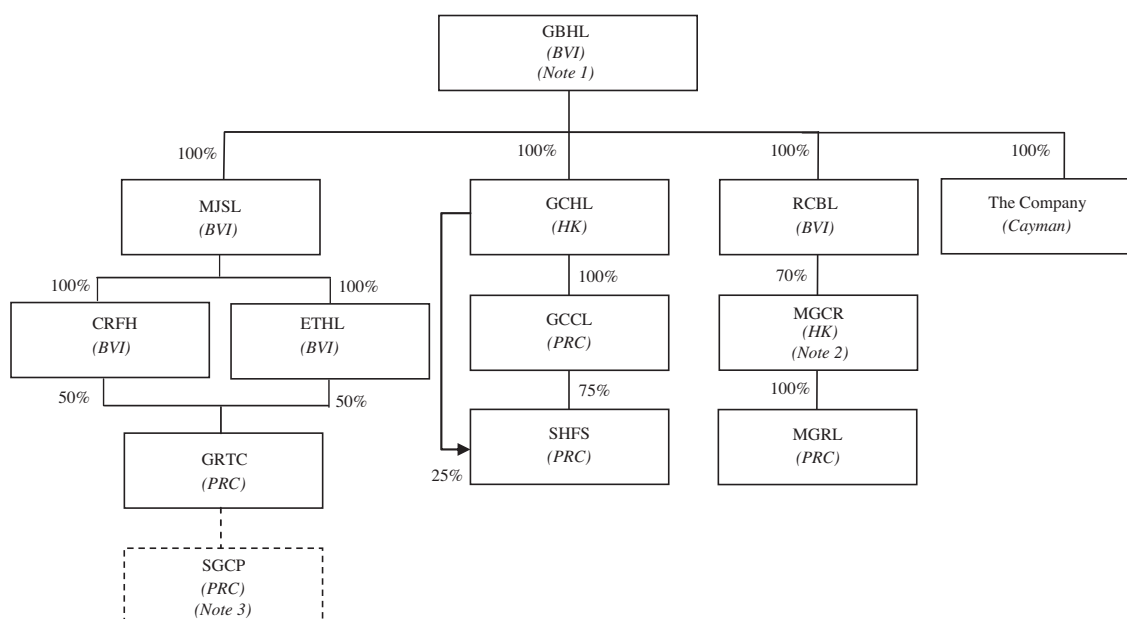
On July 30, 2012, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with a view to acting as the holding company of our Group. The initial authorized share capital of our Company was HK\$100 divided into 1,000,000,000 Shares of HK\$0.0000001 each. One Share of HK\$0.0000001 was issued and allotted to International Corporate Services Ltd., the initial subscriber, at par on the date of incorporation, which then transferred such Share, representing the then entire issued share capital of our Company, to GBHL at par on August 13, 2012. Upon completion of such transfer, our Company was wholly-owned by GBHL.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### REORGANIZATION

In preparation for the Global Offering and in order to streamline our business, we underwent the Reorganization.

The following chart illustrates our corporate structure immediately before the Reorganization:



*Notes:*

1. GBHL was owned as to 30% by SGIL, 25.9% by PUD, 24% by CAEL, 15.1% by ROSL and 5% by SIML.
2. MGCR was owned as to 70% by RCBL and 30% by Mothercare HK.
3. MJSL, indirectly through a number of intermediate holding companies, namely CRFH, ETHL and GRTC, exercised control over SGCP through the Contractual Control Arrangement as defined and detailed in the paragraph headed “Reorganization—Acquisition of SGCP by GCCL from Mr. Song and Ms. Fu” in this section of this prospectus.

### **Transfer of Contractual Control Arrangement by GRTC to GCCL, disposal of CRFH and ETHL by MJSL, acquisition of GCHL by MJSL, and acquisition of MJSL and RCBL by our Company**

CRFH and ETHL were incorporated in the BVI on May 17, 2000 and April 11, 2000, respectively, and were investment holding companies held by MJSL which indirectly exercised control over SGCP through GRTC prior to the Reorganization through the Contractual Control Arrangement. As part of the Reorganization of our Group and in order to streamline our Group’s shareholding structure, on December 31, 2013, the Contractual Control Arrangement was transferred by GRTC to GCCL.

On the same date, MJSL disposed the entire issued share capital of CRFH and ETHL (the “**Disposal**”) to GBHL at a consideration of HK\$9,571,830.15 and HK\$9,571,830.16 for each of the respective transfers which was determined with reference to the inter-company accounts payable



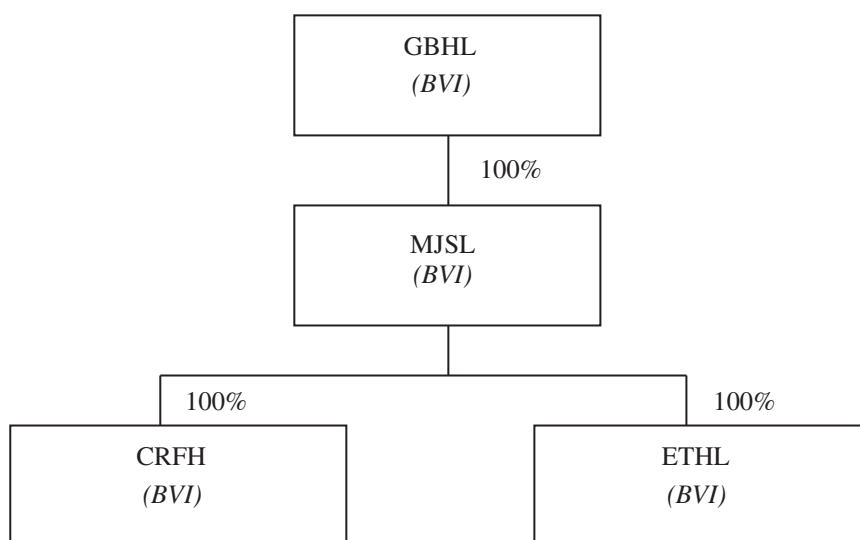
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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

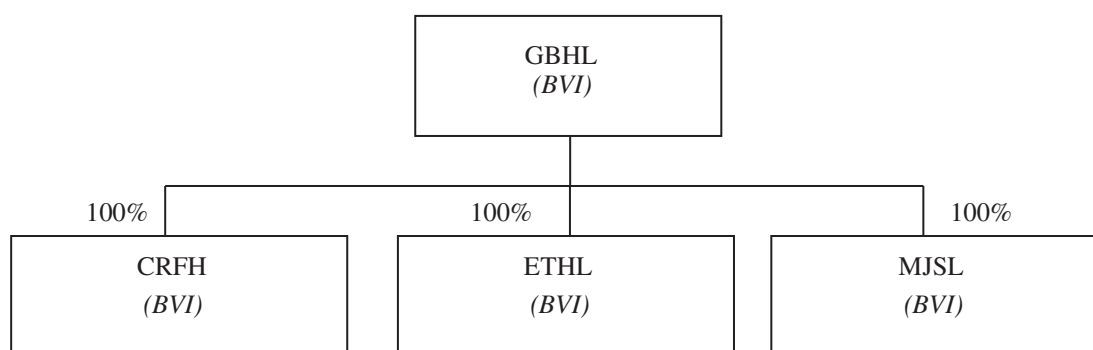
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between MJSL and GBHL. Before the Disposal, CRFH and ETHL were held by GBHL indirectly through MJSL. The Disposal was part of the inter-company transfer and reorganization between related parties to streamline our Group's shareholding structure in preparation of the Listing. Subsequent to the Disposal, MJSL was acquired by our Company as CRFH and ETHL were dormant companies and not related to the core business of our Group. The Disposal consideration was mutually agreed to off-set the inter-company accounts payable then existed between MJSL and GBHL. Upon completion of the Disposal, CRFH and ETHL were held directly by GBHL. MJSL further acquired the entire issued share capital of GCHL from GBHL on the same date, the consideration of such transfer was settled by the issuance and allotment of 1 share of MJSL at par to GBHL by MJSL on December 31, 2013. Upon completion of such equity transfer and share allotment, GCHL was wholly-owned by MJSL. The following extract charts illustrate the shareholding structure of CRFH and ETHL before and after the Disposal.

### Before the Disposal



### After the Disposal (note)



*Note:* After the Disposal, only MJSL was being restructured into our Group while CRFH and ETHL are no longer part of our Group.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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On the same date, our Company also acquired the entire issued share capital of MJSL and RCBL from GBHL, the consideration of these transfers were respectively settled by the issuance and allotment of 9,998 Shares and 1 Share at par to GBHL by our Company on December 31, 2013. Upon completion of the above equity transfer and share allotment, MJSL and RCBL were wholly-owned by our Company, and our Company was wholly-owned by GBHL.

### Setting up onshore subsidiaries

#### GCFY

On January 6, 2014, GCCL entered into a joint venture agreement with Anhui Guoguo Children Products Sales Company Limited\* (“**Anhui Co**”), an Independent Third Party other than as a substantial shareholder of GCFY, pursuant to which, GCFY was established in the PRC as a limited liability company on January 27, 2014 with an initial registered capital of RMB10,000,000 and was owned as to 51% by GCCL and 49% by Anhui Co.

#### GCSQ

On February 17, 2014, GCCL entered into a joint venture agreement with Henan Shangqiu Zhuoran Children Products Company Limited\* (“**Shangqiu Co**”), an Independent Third Party other than as a substantial shareholder of GCSQ, pursuant to which, GCSQ was established in the PRC as a limited liability company on March 26, 2014 with an initial registered capital of RMB6,000,000 and was owned as to 51% by GCCL and 49% by Shangqiu Co.

#### GCQD

On April 7, 2014, GCCL entered into a joint venture agreement with Mr. Zhang Benjin (“**Mr. Zhang**”), an Independent Third Party other than as a substantial shareholder of GCQD, pursuant to which, GCQD was established in the PRC as a limited liability company on May 20, 2014 with an initial registered capital of RMB10,000,000 and was owned as to 51% by GCCL and 49% by Mr. Zhang.

#### QMCP

QMCP was established in the PRC as a limited liability company on September 1, 2010 with an initial registered capital of RMB30,000 and was held as to 51% by Ms. Zhang Shumei, an Independent Third Party, and 49% by Mr. Zhang. Subsequent to a series of capital injection and equity transfer by the then shareholders, on July 18, 2014, GCQD had given an undertaking to increase the registered capital of QMCP for an amount of RMB2,500,000 on or before December 31, 2019, as a result of which, the registered capital of QMCP was increased from RMB500,000 to RMB3,000,000 and the registered capital of QMCP was held as to 83.33% by GCQD, 8.33% by Ms. Zhang Hong, an Independent Third Party, and 8.33% by Mr. Zhang. On August 14, 2014, GCQD first injected RMB1,000,000 as paid-in capital of QMCP, representing 66.67% of the total paid-in capital of QMCP. On October 27, 2014, GCQD entered into a share purchase agreement with Ms. Zhang Hong and Mr.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Zhang to acquire the remaining equity interest in QMCP at a consideration of RMB250,000 for each of such transfer, which was determined with reference to their respective equity interest in QMCP. The consideration for the respective acquisition was fully settled in cash by GCQD on February 27, 2015. Upon completion of such equity transfers in 2015, QMCP was wholly-owned by GCQD.

### NTFS

NTFS was established in the PRC as a limited liability company on March 19, 2015 with an initial registered capital of RMB10,000,000 and was owned as to 80% by GCCL and 20% by Ms. Li Xiaofeng, an employee of NTFS.

### **Incorporation of the intermediate holding companies for the mobile application sales business operated by MAMA**

With a view to developing a new line of mobile application sales business, in April 17, 2015, our Company entered into a joint venture agreement (the “**MAMA JV Agreement**”) with Great Bliss Holdings Limited (jointly-owned by several founding members of mamahao (媽媽好) (the “**Founding Members**”), the family member of one of the Founding Members and Mr. Qu Kaifeng, an Independent Third Party other than as a shareholder of Grow Thrive Limited and Great Bliss Holdings Limited), Pacquita Limited (a member of the GBI Group) and Grow Thrive Limited (owned as to 60.0% by Mr. Xin Shulin, the controlling shareholder of VLVL and as to 40.0% by Mr. Qu Kaifeng), pursuant to which respective parties agreed to incorporate new offshore intermediate holding companies and to establish an operating company, MAMA, in Kunshan, PRC.

PREF was incorporated in the Cayman Islands as an exempted company with limited liability on January 6, 2015. The initial authorized share capital of PREF was US\$50,000 divided into 50,000 shares of US\$1.00 each. One share of US\$1.00 was issued and allotted to Offshore Incorporations (Cayman) Limited, the initial subscriber, at par on the date of incorporation, which then transferred such share, representing the entire issued share capital of PREF, to our Company at par on March 5, 2015. Upon completion of such transfer, PREF was wholly-owned by our Company.

Pursuant to the MAMA JV Agreement, on September 18, 2015, PREF allotted and issued a further 5,509 shares to our Company, 3,000 shares to Great Bliss Holdings Limited, 990 shares to Pacquita Limited and 500 shares to Grow Thrive Limited at the par value of US\$1.00 per share. Upon completion of the share issue and allotment, PREF is owned as to approximately 55.1% by our Company, 30.0% by Great Bliss Holdings Limited, 9.9% by Pacquita Limited and 5.0% by Grow Thrive Limited. Ms. Li Xia, the spouse of Mr. Wang Yadong who is a Founding Member and was subsequently appointed to our Board as an executive Director on September 25, 2015, holds 26.67% interest in Great Bliss Holdings Limited.

PINN was incorporated in the Independent State of Samoa as an international company on January 12, 2015. The initial authorized share capital of PINN was US\$1,000,000 divided into 1,000,000 shares of US\$1.00 each. One share of US\$1.00 was issued and allotted to Offshore Incorporations (Samoa) Limited, the initial subscriber, at par on the date of incorporation, which then

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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transferred such share, representing the entire issued share capital of PINN, to our Company at par on March 18, 2015. Upon completion of such transfer, PINN was wholly-owned by our Company. On July 2, 2015, our Company transferred 1 share, representing the entire issued share capital of PINN, to PREF at par. Upon completion of such transfer, PINN was wholly-owned by PREF.

ERWL was incorporated in Hong Kong as a limited liability company on February 27, 2015. One share of HK\$1.00 was issued and allotted to GRL15 Limited, the initial subscriber, at a subscription price of HK\$1.00 on the date of incorporation, which then transferred such share, representing the entire issued share capital of ERWL, to PINN at a consideration of HK\$1.00 on April 10, 2015. Upon completion of such transfer, ERWL was wholly-owned by PINN.

MAMA was established in the PRC as a wholly foreign-owned enterprise on July 23, 2015 with an initial registered capital of USD2,000,000 and was wholly-owned by ERWL.

### **Acquisition of SGCP by GCCL from Mr. Song and Ms. Fu**

GCCL acquired the entire legal ownership in SGCP, a limited liability company under the PRC law from Mr. Song as to 90% and Ms. Fu as to 10%, respectively on September 17, 2015 for a total consideration of RMB5,000,000. The consideration was determined with reference to the paid-up registered capital of SGCP. Prior to the acquisition, our Group exercised control over SGCP through a series of business cooperation agreement and technical service agreement with SGCP and options agreement and pledge agreements with its legal and registered owners Mr. Song and Ms. Fu (the “**Contractual Control Arrangement**”) since November 24, 2010. Accordingly, the financial positions and operating results of SGCP were included in our Group’s consolidated financial statements since the commencement of the Track Record Period as if SGCP was our Group’s subsidiary since such date.

SGCP was established on March 7, 2001 and was held as to 90% by GGCL and as to 10% by Kunshan Goodbaby Plastic Products Factory (“**Kunshan Goodbaby**”), which was a subsidiary of GGCL and has now ceased to operate.

Following a series of share transfer and the equity agreement entered into between Mr. Song and GGCL and another equity agreement between Ms. Fu and Kunshan Goodbaby, both dated July 21, 2003, SGCP was legally held as to 90% by Mr. Song and 10% Ms. Fu. SGCP at the time was engaged in internet information services business which was restricted from foreign ownership under the then prevailing PRC law. In order to exercise control over the operations of and enjoy the economic benefits generated by SGCP, the GBI Group entered into the Contractual Control Arrangement with SGCP, Mr. Song and Ms. Fu and exercised control over SGCP until its disposal of SGCP and the transfer of the Contractual Control Arrangement to MJSL in 2008. The Contractual Control Arrangement continued with MJSL until the disposal of MJSL by its then shareholders and the transfer of the Contractual Control Arrangement to our Group on November 24, 2010. Since then, our Group exercised control over SGCP through the Contractual Control Arrangement until the acquisition of the entire legal interest of SGCP by our Group on September 17, 2015. During the Track Record Period, SGPC operated two businesses, namely the “Mama’s Goodbaby” stores that sold MBC Products under a variety of third-party brands, and distribution of sports apparel & footwear for baby and children.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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We divested operations and related assets of “Mama’s Goodbaby” retail stores held by SGCP (the “**Discontinued Operation**”) to an Independent Third Party on March 10, 2015 (the “**Disposal**”). Our decision for the Disposal was based on a strategic assessment of our retail networks in the end of 2014, when we devised our retail network expansion strategy to primarily focus on innovative sales formats that have differentiated brand strategy and a strong brand portfolio, such as Goodbaby e-Family and Kids Station, that could support our overall strategy of online and offline sales network integration. The “Mama’s Goodbaby” retail stores were positioned as “MBC Products supermarkets” with a “Big Box” format, and as of December 31, 2014 had an average size of approximately 500 square meters per store and carried over 200 third-party groceries and mass-market brands. We believe that the business model of the “Mama’s Goodbaby” stores did not fit in our “BOOM” business model that encompasses our differentiated brand strategy and our omni-channel sales platform. For further details of the products and services sold and provided by the “Mama’s Goodbaby” stores, please refer to “Business—Our Omni-channel Sales Platform—Our Offline Sales Network” and “Financial Information—Description of Selected Line Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income—Discontinued Operation” for more information.

As a result, SGCP entered into an agreement with an Independent Third Party to dispose of certain assets, inventories and leases of “Mama’s Goodbaby” retail stores operated by SGCP on March 10, 2015. The consideration for the Disposal in the amount of RMB14,139,736 was determined based on arm’s length negotiation between SGCP and the purchaser, taking into account the value of the assets and inventories and the remaining term of the lease agreements at the time of the transfer. For more information on the results of operations of the Discontinued Operation for the financial years ended December 31, 2012, 2013 and 2014 and the ten-month period ended October 31, 2014 and 2015, please refer to “Financial Information—Discontinued Operation” to this prospectus.

The Disposal completed on July 31, 2015 and the consideration for the Disposal was fully settled on the same day. As a result, the Group no longer had any interests, control, power or rights over the Discontinued Operation as at the date of completion.

As advised by our PRC counsel, (a) the relevant agreement in relation to the Disposal was legally effective and binding, did not violate applicable PRC laws and regulations; and (b) there are no other governmental approvals, registration or filings required under the PRC laws and regulations for completion of the Disposal.

Subsequent to the Disposal, on September 17, 2015, GCCL acquired the 90% and 10% equity interests of SGCP from Mr. Song and Ms. Fu, respectively and the Contractual Control Arrangement was terminated on the same date.

Our PRC legal advisor has advised that the use of the Contractual Control Arrangement is legal, complied with and did not breach the PRC laws and regulations. The Directors confirm that our Group will be able to comply with the current PRC laws and regulations which regulate the business of SGCP and the change in the relevant laws and regulations will have no impact on the Group’s operations, financial position and management as the financial positions and operating results of SGCP have been consolidated into the consolidated financial statement of our Group since the commencement of the Track Record Period.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Pre-IPO Investments

There have been several rounds of Pre-IPO Investments in our Company by way of transfer of Shares held by SGIL to the Pre-IPO Investors pursuant to the following arrangements:

- (1) on January 1, 2015, SGIL entered into a sale and purchase agreement with, amongst others, VLVL and WAWA (which was subsequently amended and supplemented by the deed of amendment entered into amongst the parties on March 17, 2015 to extend the completion date to the same date), pursuant to which SGIL transferred 42,779,658 Shares and 11,752,874 Shares, representing approximately 4.28% and approximately 1.18% of the then issued share capital of our Company, to VLVL and WAWA, respectively.
- (2) on February 16, 2015, SGIL entered into a sale and purchase agreement with, amongst others, FTHL (which was subsequently amended and supplemented by the deed of amendment entered into amongst the parties on March 17, 2015 to extend the completion date to the same date), pursuant to which SGIL transferred 11,494,253 Shares, representing approximately 1.15% of the then issued share capital of our Company, to FTHL.
- (3) on April 17, 2015, SGIL entered into a sale and purchase agreement with, amongst others, COOP (which was subsequently amended and supplemented by the deed of amendment entered into amongst the parties on April 23, 2015 to extend the completion date to the same date), pursuant to which SGIL transferred 11,494,253 Shares, representing approximately 1.15% of the then issued share capital of our Company, to COOP.

The table below sets forth details of the Pre-IPO Investments:

	VLVL	WAWA	FTHL	COOP
Date of Pre-IPO Agreements:	January 1, 2015 (as supplemented by the deed of amendment entered into amongst the parties on March 17, 2015)	January 1, 2015 (as supplemented by the deed of amendment entered into amongst the parties on March 17, 2015)	February 16, 2015 (as supplemented by the deed of amendment entered into amongst the parties on March 17, 2015)	April 17, 2015 (as supplemented by the deed of amendment entered into amongst the parties on April 23, 2015)
Consideration paid:	RMB 148,873,211	RMB 40,900,000	RMB 40,000,000	RMB 40,000,000
Payment and completion date:	March 17, 2015	March 17, 2015	March 17, 2015	April 23, 2015
Basis of determination of consideration:	Based on arm's length negotiation with reference to the agreed assessment of the value of our Group at the time of signing of the Pre-IPO Agreements, taking into consideration the financial information of our Group, the timing of the subscription and the illiquidity of our Shares as a private company			
Number of Shares transferred from SGIL to the respective Pre-IPO Investors:	42,779,658 Shares, representing approximately 4.28% of the then issued share capital of our Company	11,752,874 Shares, representing approximately 1.18% of the then issued share capital of our Company	11,494,253 Shares, representing approximately 1.15% of the then issued share capital of our Company	11,494,253 Shares, representing approximately 1.15% of the then issued share capital of our Company

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	VLVL	WAWA	FTHL	COOP
Investment cost per Share and discount to the Offer Price:	Approximately RMB3.48, representing a premium of approximately 28.7% to the mid-point of the indicative Offer Price range of HK\$2.68 to HK\$3.76 ( <i>Note 1</i> )			
Use of proceeds:	Retained by SGIL			
Strategic benefits of the Pre-IPO Investments:	Our Directors are of the view that our Company can benefit from the Pre-IPO Investors' commitment to our Company and their investments demonstrate their confidence in our operation and serve as an endorsement of our performance, strength and prospects			
Shareholding in our Company immediately upon completion of the Global Offering ( <i>Note 1</i> ):	3.21%	0.88%	0.86%	0.86%
Special rights:	<p>The following special rights will be automatically terminated upon the completion of the Global Offering:</p> <ul style="list-style-type: none"> <li>• <i>Pre-emptive right:</i> <p>Each of the Pre-IPO Investors has a pre-emption right to subscribe for new Shares or convertible securities issued on a pro rata basis based on their respective shareholding, save for any new Shares to be issued pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme or any other pre-existing share options arrangements granted to employees of our Group.</p> </li> <li>• <i>Right of first refusal and tag along rights:</i> <p>In the event that SGIL, PUD, CAEL or ROSL proposes to dispose their Shares to a third party other than the permitted transferees, each of the Pre-IPO Investors shall have a right of first refusal and tag along rights permitting such Pre-IPO Investor an option to either (i) purchase all of the Shares or other convertible securities to be disposed of on the same terms and conditions offered by the third party; or (ii) sell its Shares to such third party on a pro rata basis on the same terms and conditions offered by the third party.</p> </li> <li>• <i>Veto Rights:</i> <p>Each of SGIL, PUD, CAEL and ROSL undertakes to procure that our Company not to take the following actions (unless such action is in relation to the preparation of the Global Offering) without the prior written consent of Mr. Xin Shulin, the holder of 90% of the issued share capital in VLVL:</p> <ul style="list-style-type: none"> <li>(i) amendment to the Articles of Association and the Memorandum;</li> <li>(ii) any material change to the nature of business of our Company;</li> <li>(iii) winding up, liquidation or dissolution or any similar insolvency or bankruptcy proceeding;</li> </ul> </li> </ul>			



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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VLVL	WAWA	FTHL	COOP
			<ul style="list-style-type: none"> <li>(iv) merger of our Company with a third party (excluding merger which would result in the Shareholders prior to such merger cease to retain at least a 50% of voting power of the surviving entity) or sale of substantially all Shares or assets of our Company (the “<b>Sale Transaction</b>”);</li> <li>(v) any commercial, financial or strategic transaction which would materially alter the current balance sheet or capital structure of our Company;</li> <li>(vi) enter into any transactions with shareholders, directors, senior management or their affiliates or family members (other than employment contracts of our employees with our Group);</li> <li>(vii) making of loans to any third party (other than for our Group’s interest) of any amount exceeding US\$1,000,000 on an accumulated basis;</li> <li>(viii) provision of guarantee for any third party (other than for our Group’s interest) or for any shareholder or director of an amount exceeding US\$1,000,000 on an accumulated basis; and</li> <li>(ix) appointment or change of the auditor.</li> </ul> <ul style="list-style-type: none"> <li>• <i>Information rights:</i>  Each of the Pre-IPO Investors is entitled to receive, amongst others, our financial and accounting information, annual budget forecast and notices in relation to material litigation and proposed material corporate transactions.</li> <li>• <i>Redemption rights:</i>  In the event that there is no Global Offering or Sale Transaction on or before the fifth anniversary of the completion date as agreed under the respective sale and purchase agreements, each of the Pre-IPO Investors is entitled to require Mr. Song and Ms. Fu to purchase or redeem all of its Shares.</li> </ul>
Public float:	The Shares held by each of VLVL, WAWA, FTHL and COOP will be counted as part of the public float upon Listing as (i) each of them is not a connected person of our Company; (ii) the acquisitions of their respective equity interests in the Shares were not financed directly or indirectly by any connected person of our Company; and (iii) each of them is not accustomed to take instructions from a connected person in relation to the acquisitions, disposals, voting or other dispositions of securities of our Company registered in their names or otherwise held by them.		
Lock-up:	<p>The terms of the Pre-IPO Investments did not impose any lock-up obligations over the Shares held by the Pre-IPO Investors.</p> <p>The Shares held by each of VLVL, WAWA, FTHL and COOP are subject to lock-up restrictions (the “<b>Lock-up Restrictions</b>”) pursuant to the undertakings given by them in favour of the Company and the Sole Sponsor not to dispose of any of their respective Shares for a period of six months commencing on the Listing Date (the “<b>Lock-up Period</b>”), subject to the sole and absolute discretion of the Sole Sponsor to terminate the Lock-up Restrictions against any of VLVL, WAWA, FTHL and COOP before the expiry of the Lock-up Period. Details of the Lock-up Restrictions are set out in the section headed “Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Other Undertakings” in this prospectus.</p>		

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*Note:*

1. On the basis of our enlarged share capital immediately upon completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon exercise of options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Background of the Pre-IPO Investors

VLVL is an investment holding company incorporated in the BVI. It is owned as to 90% by Mr. Xin Shulin and 10% by Ms. Wang Li. Other than Mr. Xin Shulin's indirect interest in PREF through Grow Thrive Limited, Mr. Xin and Ms. Wang are Independent Third Parties.

WAWA is an investment holding company incorporated in the BVI. It is wholly-owned by Shanghai Jingmu Investment Center (Limited Partnership) (“**Shanghai Jingmu**”), a limited partnership incorporated in Shanghai and an Independent Third Party. As of the Latest Practicable Date, Shanghai Jingmu is in turn owned as to (i) 75.05% by Beijing Agricultural Industry Investment Fund (“**Beijing Agricultural**”), a limited partnership established in Beijing, (ii) 0.11% by Beijing Jinshi Agricultural Investment Fund Management Center (“**Beijing Jinshi**”), a limited partnership established in Beijing, (iii) 18.65% by Beijing Agricultural Investment Company Limited, a limited liability company incorporated in Beijing and (iv) 6.19% by Mr. Wang Yixiang. As of the Latest Practicable Date, the beneficial owners of Beijing Agricultural comprise of, inter alia, trust companies, corporations, investment companies and the Beijing State Owned Assets Supervision and Administrative Commission (SASAC). As of the Latest Practicable Date, the beneficial owners of Beijing Jinshi comprise of, inter alia, securities companies, corporations, trust companies, investment companies, bank, Hefei State Owned Assets Supervision and Administrative Commission (SASAC) and certain individuals.

FTHL is an investment holding company incorporated in the BVI. It is owned by nine individuals, all of them are Independent Third Parties, the details of their respective shareholding in FTHL are set out as follows:

Shareholders of FTHL	Percentage Shareholding
Mr. Wang Xueguang . . . . .	12.5%
Mr. Xia Xinyu . . . . .	12.5%
Mr. Xu Cunsong . . . . .	12.5%
Mr. Shan Xuejia . . . . .	12.5%
Mr. Li Ang . . . . .	12.5%
Mr. Yin Zhaochun . . . . .	12.5%
Mr. Sui Yu . . . . .	12.5%
Mr. Liu Shuguang . . . . .	10.0%
Mr. Liu Jihua . . . . .	2.5%
<b>Total</b> . . . . .	<b>100%</b>

COOP is an investment holding company incorporated in the BVI and is wholly-owned by Shanghai Yuanwai Investment Management Partnership Enterprise (“**Shanghai Yuanwai**”), a limited partnership established in Shanghai as part of a fund and an Independent Third Party. Shanghai Yuanwai is in turned owned as to (i) 1.2% by Zhonghe Marketing (Shanghai) Equity Investment Fund Management Co., Ltd. (“**Zhonghe Distribution**”) which is the general partner of Shanghai Yuanwai, (ii) 51.2% by Zhonghe Distribution Phase III (Shanghai) Equity Investment Fund Partnership (Limited Partnership) and (iii) 47.6% by Zhonghe Distribution Phase IV (Shanghai) Equity Investment Fund

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Partnership (Limited Partnership). As of the Latest Practicable Date, the beneficial owners of the fund comprise of, inter alia, investment companies, corporations and the Beijing Municipal Government. None of the beneficial owners will, immediately upon completion of the Global Offering, hold an interest in 5% or more of the issued Shares.

To the best knowledge, information and belief of our Directors, other than their respective investments in our Company, each of the Pre-IPO Investors (save and except for Mr. Xin Shulin's indirect interest in PREF) and its respective ultimate beneficial owners is an Independent Third Party.

Upon completion of the above Pre-IPO Investments and such equity transfers by SGIL, our Company was owned as to 25.9% by PUD, 24% by CAEL, approximately 22.24% by SGIL, 15.1% by ROSL, 5% by SIML, approximately 4.28% by VLVL, approximately 1.18% by WAWA, approximately 1.15% by FTHL and approximately 1.15% by COOP.

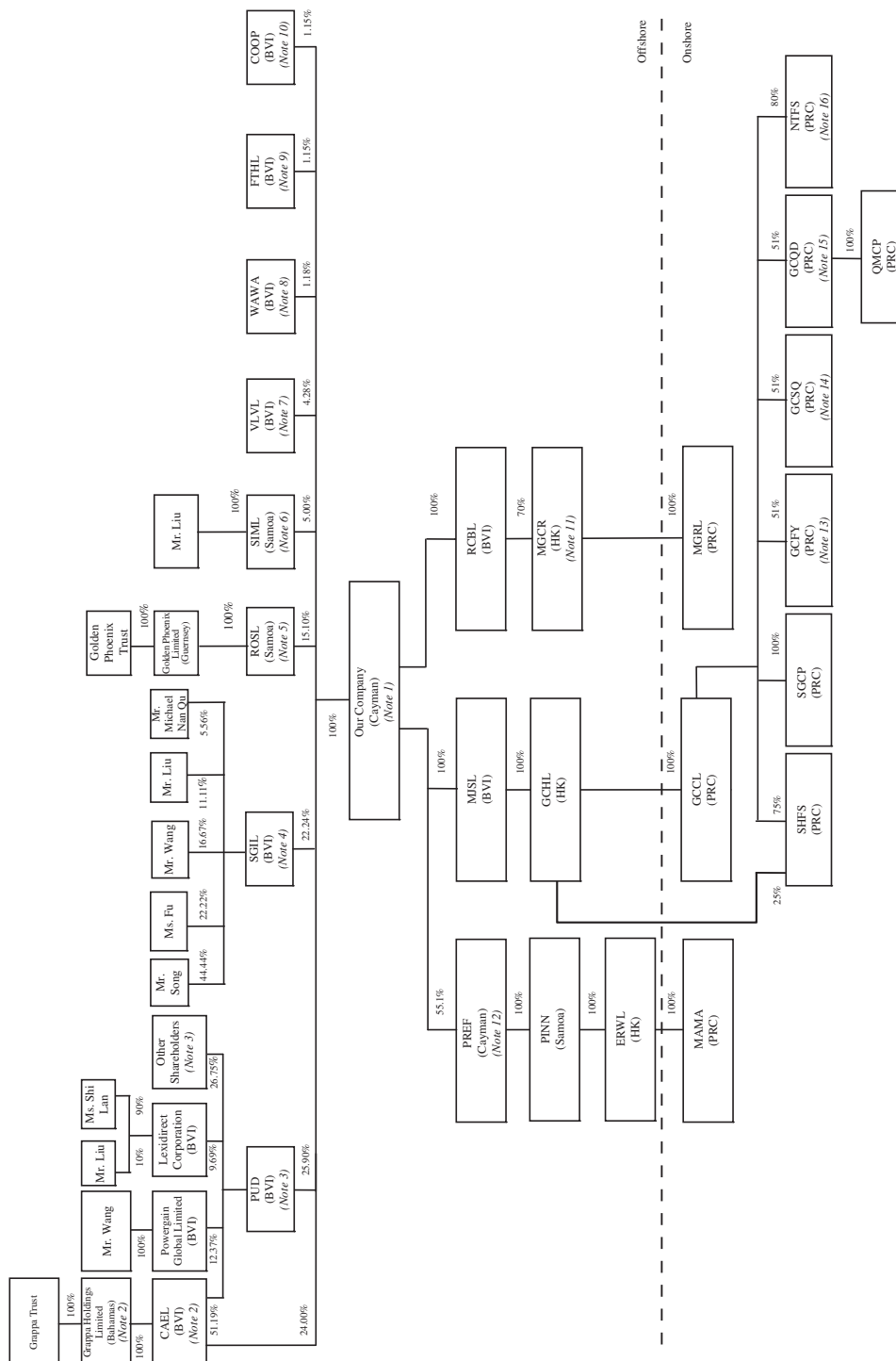
The Sole Sponsor has confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investment issued on October 13, 2010 by the Stock Exchange and the Guidance Letter HKEx-GL-43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange based on their review of the relevant documents.

On September 18, 2015, we completed all steps of the Reorganization and the Pre-IPO Investments above.

Our PRC legal advisors have confirmed that all of the above equity transfer and capital contributions of our PRC incorporated subsidiaries pursuant to the Reorganization have been properly and legally completed and settled and all necessary approvals and registrations in relation to such steps from the relevant PRC authorities have been obtained and completed.

# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately after the Reorganization, but before the completion of the Global Offering:



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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*Notes:*

1. On December 31, 2013, GBHL transferred, by way of a distribution in specie, all of the Shares then held by it to its then shareholders in proportion to their then shareholding in GBHL so as to allow them to directly hold interests in our Company. Upon completion of such equity transfer by GBHL and a subsequent share allotment by way of capitalization to the then shareholders of GBHL pro-ratably by our Company on the same date, our Company was owned as to 30% by SGIL, 25.9% by PUD, 24% by CAEL, 15.1% by ROSL and 5% by SIML. GBHL ceased to be the holding company of our Company upon completion of the distribution in specie and the capitalization.
2. CAEL is 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. Credit Suisse Trust Limited is the trustee holding such interest on trust for the beneficiaries of the Grappa Trust, that include Mr. Song, our Chairman and executive Director, Ms. Fu, our CEO and executive Director and the spouse of Mr. Song, and family members of Mr. Song and Ms. Fu. During the period between 2012 to 2013, CAEL granted options to 72 employees of our Group to purchase from it an aggregate of approximately 5.93% of the issued share capital of our Company (where the maximum number of options has been granted) (as enlarged by the Global Offering, but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme). Vesting and transfer of these option Shares are subject to the Listing and individual performance target of the grantees. For details of the grant of options, please refer to the paragraph headed "Grant of Purchase Options to Employees by CAEL" in this section of this prospectus.
3. PUD is owned as to approximately 51.19% by CAEL, approximately 12.37% by Powergain Global Limited, approximately 9.69% by Lexidirect Corporation, and approximately 26.75% by other 126 shareholders who hold their shares individually, which include current employees or ex-employee of our Group and the GBI Group (including approximately 0.76% held by Ms. Kobler). None of these other shareholders holds more than 4% interest in PUD on an individual basis. Lexidirect Corporation is owned as to 10% by Mr. Liu, our non-executive Director, and 90% by Ms. Shi Lan, an Independent Third Party, and Powergain Global Limited is wholly-owned by Mr. Wang.
4. SGIL is owned as to 44.44% by Mr. Song, 22.22% by Ms. Fu, 16.67% by Mr. Wang, 11.11% by Mr. Liu, our non-executive Director and 5.56% by Mr. Michael Nan Qu, an Independent Third Party other than as a shareholder of SGIL.
5. ROSL is indirectly wholly-owned by Credit Suisse Trust Limited as the trustee of the Golden Phoenix Trust, a foreign discretionary revocable trust established under the laws of Guernsey. Ms. Fu is the settlor of the trust and Credit Suisse Trust Limited is the trustee holding such interest on trust for the beneficiaries that include Ms. Fu and Ms. Kobler.
6. SIML is wholly-owned by Mr. Liu, our non-executive Director.
7. VLVL is owned as to 90% by Mr. Xin Shulin, one of the indirect shareholders of PREF, and 10% by Ms. Wang Li, an Independent Third Party.
8. WAWA is wholly-owned by Shanghai Jingmu Investment Center (Limited Partnership), an Independent Third Party.
9. FTHL is owned as to 12.5% by Mr. Wang Xueguang, 12.5% by Mr. Xia Xinyu, 12.5% by Mr. Xu Cunsong, 12.5% by Mr. Shan Xuejia, 12.5% by Mr. Li Ang, 12.5% by Mr. Yin Zhaochun, 12.5% by Mr. Sui Yu, 10% by Mr. Liu Shuguang and 2.5% by Mr. Liu Jihua, all of whom are Independent Third Parties.
10. COOP is wholly-owned by Shanghai Yuanwai Investment Management Partnership Enterprise, an Independent Third Party.
11. MGCR is owned as to 70% by RCBL and 30% by Mothercare HK.
12. PREF is owned as to 55.1% by our Company, 9.90% by Pacquita Limited, 30% by Great Bliss Holdings Limited and 5% by Grow Thrive Limited.
13. GCFY is owned as to 51% by GCCL and 49% by Anhui Co., an Independent Third Party other than as a substantial shareholder of GCFY.
14. GCSQ is owned as to 51% by GCCL and 49% by Shangqiu Co., an Independent Third Party other than as a substantial shareholder of GCSQ.
15. GCQD is owned as to 51% by GCCL and 49% by Mr. Zhang, an Independent Third Party other than as a substantial shareholder of GCQD.
16. NTFS is owned as to 80% by GCCL and 20% by Ms. Li Xiaofeng, an employee of NTFS.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### INCREASE OF AUTHORIZED SHARE CAPITAL

On January 6, 2016, our Company increased its authorized share capital to HK\$1,000 through the creation of 9,000,000,000 additional Shares.

### GRANT OF PURCHASE OPTIONS TO EMPLOYEES BY CAEL

During the period between 2012 to 2013, CAEL granted, subject to the Listing and individual performance target, an option to purchase from it in respect of a maximum of 79,110,000 Shares in aggregate depending on the satisfaction of individual performance target, representing approximately 5.93% of the issued share capital of our Company (the “**Purchased Rights Options**”) (as enlarged by completion of the Global Offering, but taking no account of any shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme) to a total of 72 individuals, who are senior management, employees, consultants and other contributors of our Group (the “**Grant of Purchased Rights Options**”) as of October 31, 2015. The purpose of such arrangement was, primarily, to reward and to motivate our senior management and employees as part of our retention program.

Among the 72 grantees, 59 individuals have been granted Purchased Rights Options in 2012, their Purchased Rights Options shall be vested equally in 5 tranches respectively commencing from the date immediately after 6 months from the Listing Date and each anniversary date of the Listing Date until the fourth anniversary of the Listing date. The remaining 13 individuals have been granted Purchased Rights Options in 2013, and their Purchased Rights Options shall be vested in 6 tranches respectively in the following manners: 1) for the first 5 tranches commencing from the date immediately after 6 months from the Listing Date and each anniversary date of the Listing Date until the fourth anniversary of the Listing date, the options shall be equally vested; and 2) the remaining options shall be vested on the fifth anniversary of the Listing Date. The Purchased Rights Options shall be exercisable until the tenth anniversary of the date of the respective agreements in respect to the Grant of Purchased Rights Options entered into between CAEL and the grantees and at a price equivalent the par value of the Shares.

As the first vesting date of the Purchased Rights Options will be on the date immediately after 6 months from the Listing Date, accordingly, any transfers pursuant to these rights will only occur after the mandatory lock-up period to which CAEL may be subject pursuant to Rule 10.07(1)(a) of the Listing Rules.





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### M&A RULES

On August 8, 2006, six PRC regulatory agencies, including MOFCOM and CSRC, promulgated the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “**M&A Rules**”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and amended on June 22, 2009. The M&A Rules, among other things, provide that a foreign investor seeking acquisition of the equity interest in a non-foreign-invested PRC enterprise, or purchasing and operating the assets of that enterprise by establishing a foreign-invested enterprise in the PRC, shall obtain the approval of MOFCOM or its counterparts at provincial level.

As advised by our PRC legal advisors, Jingtian & Gongcheng, as each of GCCL, MGRL and MAMA was a foreign-invested company since their respective date of incorporation, SHFS was converted into a foreign-invested company before the promulgation of M&A Rules, the respective transfers of such subsidiaries to our Group constitute an acquisition of equity in a foreign invested enterprise, and as such, the M&A Rules is not applicable and approval from MOFCOM, CSRC or other PRC government authorities for the Listing is not required.

### CIRCULAR NO. 75 AND CIRCULAR NO. 37

On October 21, 2005, SAFE issued the Circular on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (the “**Circular No. 75**”). According to Circular No. 75, a domestic resident shall, before establishing or controlling an overseas special purpose company, apply to the local branch or office of SAFE (the “**SAFE Branch**”) for foreign exchange registration of overseas investments. SAFE Branch shall, after examining and checking the materials to be inerrant, affix the special seal for foreign exchange business for capital account transactions on the Certificate of Foreign Exchange Registration of Overseas Investments or the Form of Foreign Exchange Registration of Overseas Investments of the Domestic Individual Resident.

On July 4, 2014, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (the “**Circular No. 37**”) which rescinded the Circular No. 75. Domestic residents who invest in special purpose vehicles with legitimate assets or equity interest inside and outside the PRC prior to the implementation of the Circular No. 37, but fail to conduct the foreign exchange registration of overseas investments shall submit explanatory statement and state the reasons to the bureau of foreign exchange administration. The bureau of foreign exchange administration may allow complementary registration under the principles of legality and legitimacy.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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As advised by our PRC legal advisors, Jingtian & Gongcheng, each of Mr. Song, Ms. Fu, Mr. Liu and Mr. Wang as PRC domestic residents, have completed the registration as required by Circular No. 75. As to PUD, the foreign exchange registration records for overseas investment by PRC residents issued by the local branches of SAFE indicate that all the PRC individual ultimate shareholders of PUD (collectively referred to as the “**PUD PRC shareholders**”) have duly registered with the local branches of SAFE. According to the relevant foreign exchange administration laws and regulations of the PRC, when registering foreign exchange in connection with an individual overseas investment, substantial shareholders who hold directly or indirectly 5% or more of the domestic enterprise shall register the overseas investment in person; and ultimate shareholders who hold less than 5% of the domestic enterprise may register individually, or collectively handle the registration through a trust scheme or an agency arrangement. In PUD’s situation, all of the shareholders of PUD who were PRC natural persons and indirectly held less than 5% of any domestic enterprises had delegated Mr. Chen Huaixiao, one of the shareholders of PUD, who is an employee of our Group, to handle the registration. As the relevant department of SAFE recognized Mr. Chen Huaixiao as the agent to handle the collective foreign exchange registration and made the relevant registration accordingly, our Company’s PRC legal advisers believe that the registration by Mr. Chen Huaixiao for and on behalf of other shareholders of their investment in the Group is legal and valid in accordance with the applicable PRC rules and regulations.

### *Enterprise Income Tax on Indirect Transfer of Non-resident Enterprises*

On February 3, 2015, the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular 7**”) was promulgated by the PRC State Administration of Taxation, which repealed certain provisions in the Notice on Strengthening the Administration of Enterprises Income Tax on Non-Resident Enterprises (關於加強非中國居民企業股權轉讓所得企業所得稅管理的通知) (“**Circular 698**”) issued by the PRC State Administration of Taxation on December 10, 2009.

According to Circular 7, when a non-resident enterprise (not including individuals or PRC resident enterprises) transfers the assets (including equity interests) in an overseas holding company, which directly or indirectly owns PRC taxable properties, including shares in a PRC company (“**PRC Taxable Assets**”), for the purposes of avoiding PRC enterprise income taxes through an arrangement without reasonable commercial purpose, such indirect transfer should be reclassified and recognized to be a direct transfer of the assets (including equity interests) of a PRC resident enterprise in accordance with the Enterprise Income Tax Law, and the income received from the transfer will be subject to PRC tax at a rate of up to 10%. Circular 7 provides clearer criteria than Circular 698 in determining “reasonable commercial purposes” and introduces safe harbor scenarios where this tax can be exempted. As Circular 7 was newly implemented and only became effective in February 2015, there is limited guidance and practical experience regarding the application and enforcement of Circular 7 and the related SAT notices and it remains uncertain whether such exemptions will be applicable to the transfer of our Shares by our Shareholders or whether any future acquisition by us outside of the PRC involving PRC Taxable Assets will be reclassified by applying Circular 7.

In view of the above, Circular 698 and Circular 7 are applicable to the share transfers as part of our Group’s Reorganization which occurred since the effective date of the Circular 698 and the Circular 7.

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However, as advised by our PRC legal adviser, Jingtian & Gongcheng, we should not have any tax exposure under Circular 698 or Circular 7 with respect to the share transfers as part of the Reorganization in which consideration was paid in the form of shares, since these share transfers have met the relevant criteria as stipulated by the Circular 7 and shall be recognized as having “reasonable commercial purposes”.

Our Company also note that, other than those share transfers in which consideration was paid in the form of shares, there are several share transfers as part of the Reorganization in which consideration was paid in the form of cash:

On 31 December 2013 (the “**Disposal Date**”), MJSL disposed the entire issued share capital of CRFH and ETHL to GBHL at a consideration of approximately HK\$9,571,830 (or in aggregate, HK\$19,143,660, the “**Consideration**”). When MJSL acquired the entire issued shares of CRFH and ETHL on 31 December 2008 (the “**Acquisition Date**”), the consideration paid by MJSL for the transferred shares of each of CRFH and ETHL was approximately RMB12,657,967 (or in aggregate, RMB25,315,934, or approximately HK\$28,706,453 at an exchange rate of HK\$1=RMB0.88189 on the Acquisition Date, the “**Cost**”).

According to a written confirmation date 26 November 2015 and issued by the state tax bureau of Kunshan City, PRC given that the value of GRTC (being the only business and assets held by CRFH and ETHL) as of the Disposal Date is not more than the same as of the Acquisition Date, none of MJSL or its shareholders is subject to any tax exposure under the relevant PRC laws and regulations in respect of such disposal.

As advised by our Company’s PRC legal adviser, given that the Consideration received by MJSL is less than the Cost, and based on the written confirmation issued by the state tax bureau of Kunshan City referred to in the above, none of MJSL, our Group or its shareholders is subject to any tax exposure under the Circular 698 or any other relevant PRC laws and regulations with respect to these share transfers.

In regards to the Pre-IPO investments between (i) SGIL, and (ii) the Pre-IPO Investors, namely VLVL, WAWA, FTHL and COOP which occurred from January to April of 2015, in which SGIL collectively transferred 7.76% existing shares of our Company to the Pre-IPO Investors at a consideration of RMB269,773,211, the Circular 698 and the Circular 7 are applicable to such transaction. As advised by our Company’s PRC legal adviser, subject to the final judgment of competent PRC tax authorities, as the consideration for such transfers were received by SGIL, there would be tax exposure and reporting obligations for SGIL and the Pre-IPO Investors with respect to these share transfers. However, our Company is not subject to any PRC taxes nor reporting obligations with respect to these transactions as we were not a party to such transfer, hence no new share was issued or consideration received by our Company. We have been notified that SGIL undertakes to pay the relevant PRC taxes for these share transfers if required by competent PRC tax authorities.

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### OVERVIEW

We are China's largest omni-channel specialty retailer for MBC Products and one of China's leading sales platforms among all retailers selling MBC Products, each as measured by total retail sales value in 2014, according to Frost & Sullivan. We accounted for a 1.17% market share in China's MBC Product retail market in 2014, in terms of total retail sales value in 2014, according to the same source. Our robust and adaptable business model focuses on "BOOM": brand strategy and portfolio, offline sales network, online sales network and mobile application. Leveraging our BOOM business model, we are proactively developing a mutually beneficial relationship among our brand companies, third-party retailers, distributors, suppliers, end-customers and us by establishing an ecosystem for MBC Products.

Leveraging our broad sales network and highly scalable sales formats, especially our self-operated online and offline stores, we have successfully built a portfolio of leading MBC Product brands, which as of the Latest Practicable Date included primarily Goodbaby Brands and 11 leading international sports & leisure brands, including Nike, Adidas, Skechers, PUMA, Converse, GEOX, The North Face, Clarks, Reebok and Columbia, and established long-term strategic cooperative relationships with these brand companies. As a specialty retailer of MBC Products in China, we offer our end-customers a broad spectrum of trendy MBC Products under these brands, including apparel and footwear for babies and children; durable juvenile products such as strollers, car seats and cribs; and maternity and baby care products. In addition, we have established a joint venture with Mothercare UK, Mothercare-Goodbaby JV, to operate Mothercare Brands stores and sell MBC Products under the Mothercare Brands as authorized by Mothercare UK and other third-party brand companies.

As an integral part of our omni-channel sales platform for MBC Products, we have, according to Frost & Sullivan, (1) China's largest online specialty sales network of MBC Products in terms of total online retail sales value in 2014, with a market share of 4.13%, and (2) China's largest MBC Product offline specialty sales network in terms of number of self-operated stores as of December 31, 2014 and total offline retail sales value in 2014. We accounted for a 4.71% market share among all of China's offline MBC Product specialty retailers in 2014, in terms of total offline retail sales value in 2014. We are a leading retailer among all retailers selling MBC Products online in China in terms of total online retail sales value in 2014, according to Frost & Sullivan. Our rapidly expanding online sales network is supported by our extensive offline sales network spanning all 31 provinces in China as of October 31, 2015, consisting of 2,046 self-operated stores and a variety of offline sales channels operated by third-party offline retailers and distributors. Leveraging our online-to-offline commerce, or O2O, initiatives, and our highly integrated supply chain and proprietary IT system, we have integrated our inventory management and self-operated sales network, both online and offline. As the core of our O2O initiatives, we recently launched our mobile application, mamahao (媽媽好), in August 2015 for pilot operation in the six strategically selected cities of Shanghai, Hangzhou, Shenzhen, Chengdu, Taiyuan and Fuyang, and have integrated our payment system, order fulfillment and customer and membership management in these six cities. We are currently rolling out mamahao (媽媽好) nationwide. Since launching mamahao (媽媽好) in August 2015, we have rapidly attracted over 913,000 users who have downloaded and registered it and over 797,000 transactions had been made through it as of the Latest Practicable Date. As of the Latest Practicable Date, revenue generated by our newly launched mamahao (媽媽好) mobile application had been insignificant.

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We have multiple highly replicable and scalable sales formats, both online and offline, to encourage purchases through our omni-channel sales platform. As a result of our strong and efficient operational capabilities for online and offline sales channels, we have achieved strong operational performance during the Track Record Period. Our revenue from continuing operations from online sales segment increased substantially during the Track Record Period, achieving significant growth from 2012 to 2014, and increasing by 41.3% in the ten months ended October 31, 2015 compared to the same period of 2014. We generated a significant portion of our revenue from continuing operations from our offline sales network during the Track Record Period. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our offline sales network contributed approximately 94.8%, 84.8%, 78.0% and 77.6% of our revenue from continuing operations, respectively. Despite a slowdown in growth in China's retail industry during the Track Record Period, we achieved encouraging nationwide same-store sales growth, with the average revenue of Comparable Stores for all brands increasing by 5.4% in 2014 compared to 2013, and increasing by 3.8% in the ten months ended October 31, 2015 compared to the same period of 2014. In particular, our sports & leisure brands stores recorded strong same-store sales growth, with the average revenue of Comparable Stores for these brands increasing by 5.4% in 2014 compared to 2013, and increasing by 8.0% in the ten months ended October 31, 2015 compared to the same period of 2014.

Our revenue from continuing operations increased by 20.8% from RMB1,924.0 million in 2012 to RMB2,323.9 million in 2013, by 31.8% to RMB3,063.3 million in 2014, and by 20.0% from RMB2,501.3 million in the ten months ended October 31, 2014 to RMB3,000.9 million in the same period of 2015. Our profit before tax from continuing operations increased by 71.9% from RMB43.1 million in 2012 to RMB74.1 million in 2013, increased by 68.3% to RMB124.7 million in 2014, and increased substantially from RMB106.9 million in the ten months ended October 31, 2014 to RMB229.2 million in the same period of 2015.

### OUR COMPETITIVE STRENGTHS

We believe that the following strengths have been critical to our success to date and position us for significant growth:

#### **China's largest omni-channel specialty retailer for MBC Products**

We are China's largest omni-channel specialty retailer for MBC Products and one of China's leading sales platforms among all retailers selling MBC Products, each as measured by total retail sales value in 2014 according to Frost & Sullivan. We offer a wide spectrum of trendy MBC Products in China, ranging from durable juvenile products, apparel and maternity and baby care products under Goodbaby Brands to apparel and footwear for babies and children up to the age of 12 under 11 international sports & leisure brands. In addition, we have established a joint venture with Mothercare UK, Mothercare-Goodbaby JV, to sell Mothercare Brands products under the authorization of Mothercare UK and other third-party brand companies. Our retail platform is built around three pillars: our fast-growing online sales network, our nationwide offline sales network and our recently-launched mobile application, mamahao (媽媽好). We are China's largest online specialty retailer of MBC Products and a leading retailer among all retailers selling MBC Products online in China, each in terms of total online retail sales value in 2014, according to Frost & Sullivan. We are also China's largest offline specialty retailer for MBC Products in terms of number of self-operated

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stores as of December 31, 2014 and total offline retail sales value in 2014, each according to Frost & Sullivan. As of October 31, 2015, we had a total of 2,046 self-operated stores which, together with stores operated by our authorized third-party offline retailers and offline distributors, cover all 31 provinces across China. Leveraging mamahao (媽媽好) and our highly integrated supply chain management system and efficient IT infrastructure, we have successfully developed an omni-channel sales platform with an ample choice of MBC Products that enables end-customers to make purchases anytime, anywhere. Our omni-channel sales platform provides a convenient and consistent consumer experience across all of our sales channels, and takes full advantage of the resources of our nationwide sales network and our extensive customer reach through our online and mobile sales network. We believe that our mobile sales platform, as a key element of our O2O strategy, further strengthens the operation of our offline sales network. We incentivize offline self-operated stores to promote and market our products and provide quality customer services by using mamahao (媽媽好) to track the mobile application purchases made by customers who have registered mamahao (媽媽好) within the offline self-operated stores. These initiatives effectively extend our offline self-operated stores' product offerings beyond the stores' physical inventory. It also allows the stores to virtually extend their opening hours to 24 hours a day, seven days a week. We believe that our highly scalable omni-channel sales platform further broadens and deepens our market penetration.

We have leveraged our in-depth knowledge of and experience in China's MBC Product retail industry, our omni-channel sales platform and our market-leading position to build a strong brand base with a broad spectrum of trendy MBC Products, which supports our highly scalable business model. According to Frost & Sullivan, we are one of the very few retailers in China's MBC Product retail industry that have the ability to quickly penetrate into new industry specialty segments, with Kids Station as a proven example. We have further proven this ability by rapidly expanding our portfolio of sports & leisure brands in the last few years to become China's largest babies and children's sports apparel and footwear retailer in terms of total retail sales value in 2014, according to Frost & Sullivan. We have multiple highly replicable sales formats, such as Kids Station and Goodbaby e-Family. We believe that our highly scalable and replicable sales platform will support us in further strengthening our business development and consolidating our industry-leading position.

### **Customer-oriented business model that encompasses our differentiated brand strategy and our omni-channel sales platform**

We have developed a robust and adaptable business model focusing on "BOOM": brand strategy and portfolio, offline sales network, online sales network and mobile application. Customer experience and trust is critical for success in China's MBC Product retail business. Our customer-oriented business model, our differentiated brand strategy and our leading position and extensive experience in China's MBC Product retail industry differentiate us from other MBC Product retailers. We believe that our broad offering of popular brands and products, our hospitable services through our well-trained sales force, and our competitive pricing supported by our economies of scale and streamlined supply chain management enable us to become a trusted destination for authentic, high-quality branded MBC Products. We offer services such as online shopping with in-store pick-up or three-hour delivery for end-customers in close proximity to one of our stores, and we improve online shoppers' overall shopping experience by providing personalized services, such as in-store events and on-site services. Our operations combine the benefits of personalized customer service and effective customer interaction in the traditional offline retail channel with the benefits of high traffic, convenience and easy-price shopping in the online retail channel.



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Our “BOOM” business model’s success is attributable to the following critical factors:

- *Industry veterans.* Our founders are widely recognized entrepreneurs and pioneers in China’s MBC Product industry with extensive industry knowledge and management experience. Under the leadership of our founders and our senior management, we have cultivated channel partner relationships and established strong relationships with our customers and suppliers;
- *Differentiated strategic cooperative relationships with brand companies.* Leveraging our extensive nationwide sales network with highly scalable sales formats, which is supported by our localized operational management system, we have attracted a broad portfolio of leading domestic and international brands and established long-term strategic cooperative alliance with these brand companies. Our brand portfolio primarily includes Goodbaby Brands and 11 international sports & leisure brands. With our strong merchandising capabilities and in-depth industry knowledge, we have curated a selection of trendy products catering to customers of varied demographics. In addition, we have established a joint venture with Mothercare UK, Mothercare-Goodbaby JV, to sell Mothercare Brands products under the authorization of Mothercare UK and other third-party brand companies;
- *Proven O2O initiatives.* Leveraging mamahao (媽媽好) and our O2O initiatives, we operate an omni-channel sales platform. Since our launch of mamahao (媽媽好) in six cities for pilot operation in August 2015, we have rapidly attracted over 913,000 users who have downloaded and registered mamahao (媽媽好), and over 797,000 transactions had been made through it as of the Latest Practicable Date;
- *Largest sales network operating nationwide.* Our extensive nationwide offline sales platform provides an exceptional foundation that we have used to develop our omni-channel sales platform. We provide our offline self-operated sales network participants with incentives to motivate them to be integral parts of our omni-channel sales platform and share the economic benefits generated from our online sales network;
- *Timely and responsive supply chain.* Our efficient supply-chain and logistics management effectively supports the integration of our online and offline sales network; and
- *Highly replicable and scalable sales formats.* Our multiple highly replicable and scalable sales formats, such as Kids Station and Goodbaby e-Family, support our sustainable growth and further expansion.

We believe that leveraging our strong capabilities to select and manage brands and our integrated and extensive nationwide omni-channel sales platform, we are well positioned to lead the development of China’s MBC Product ecosystem and strengthen our value proposition to customers.

### **Outstanding e-commerce operational capabilities capitalizing on China’s extensive online retail growth opportunities**

We are China’s largest online specialty retailer for MBC Products and a leading online retailer among all retailers selling MBC Products online in China, each as measured by total online retail sales



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value in 2014, according to Frost & Sullivan. With China's rapid increase in online shopping, we are dedicated to providing consumers using our online sales platform with a superior online shopping experience. Our online sales have grown rapidly during the Track Record Period. Our revenue from continuing operations from online sales increased substantially during the Track Record Period, achieving a CAGR of 160.8% from 2012 to 2014, and increased by 41.3% in the ten months ended October 31, 2015 compared to the same period of the prior year.

We believe that our early-mover advantage in online sales of MBC Products in China, coupled with our strong brand portfolio and our leading market position in the MBC Product specialty retail industry, have well positioned us as a trustworthy and attractive business partner for third-party online retail platforms. We have established cooperative business relationship with China's major online marketplaces, such as Tmall and Dangdang. Our online sales platform encompasses all major online sales formats in China's online retail industry. Our leading position in China's MBC Product specialty retail industry, expansive selection of both international and domestic leading brands across a broad range of categories and our specialty customer services, together with our full coverage of online sales formats, provides us with a solid foundation to capitalize on the extensive growth opportunities in China's online retail industry. We believe that we have built strong brand recognition among our target online customers and we have a loyal and highly-engaged customer base. Our self-operated online sales network had approximately 606,000 active customers in the ten months ended October 31, 2015, compared to approximately 499,000 in the same period of 2014, and had approximately 717,000 in 2014, compared to approximately 450,000 in 2013 and approximately 170,000 in 2012.

With China's birthrate expected to remain high, the continuing increase in per capita disposable income of urban and rural households and the high adoption of online and mobile shopping among young Chinese parents who were born in the 1980s and 1990s, we believe that there is tremendous growth potential for our branded MBC Product online retail business. According to Frost & Sullivan, China's MBC Product online retail industry amounted to RMB38.8 billion in terms of retail sales value in 2014 and is expected to grow at a CAGR of 20.7% from 2014 to 2019. Online retail sales have contributed an increasing percentage of China's total retail sales of MBC Products, from 11.4% in 2012, to 12.5% in 2013 and further to 13.7% in 2014 and is expected to reach 18.0% in 2019, according to Frost & Sullivan. We believe that we are well positioned to further capitalize on the strong growth opportunities in China's online retail industry. We believe that our position is particularly well placed for the expected explosive growth in China's MBC Product online retail markets.

### **China's largest offline MBC Product specialty sales network, as the cornerstone of our omni-channel sales platform**

We have a nationwide sales network spanning all 31 provinces in China. Following our multi-brand and multi-sales format strategy, we have built an innovative, highly adaptable business model catering to the needs of customers of varied demographics. Our offline sales network primarily includes the following principal formats:

- *Goodbaby Brands stores.* As of October 31, 2015, we had 1,018 self-operated stores and stores operated by authorized third-party offline retailers for Goodbaby Brands products. We have begun rolling out our highly adaptable and scalable sales format, Goodbaby

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e-Family, across our offline sales network. Goodbaby e-Family offers a wide assortment of well-curated MBC Products under the Goodbaby Brands that cater to local tastes and preferences. Fully integrated with mamahao (媽媽好), these stores provide quality customer services and deliver a superior shopping experience. Besides self-operated stores, we also plan to leverage the local expertise of our authorized third-party offline retailers to open Goodbaby e-Family stores to address local demands and further extend our customer reach and improve customer experience.

- *Stores for sports & leisure brands.* We sell a broad range of sports & leisure brands products for babies and children in both mono-brand stores and in Kids Stations, which are our one-stop multi-brand shopping destination for sports apparel and footwear for babies and children, operated by us or by our authorized third-party offline retailers. As of October 31, 2015, we had 1,412 self-operated stores and stores operated by authorized third-party offline retailers for sports & leisure brands.

In addition, we have established a joint venture with Mothercare UK, Mothercare-Goodbaby JV, to operate Mothercare Brands stores under the authorization of Mothercare UK and other third-party brand companies. These stores are one-stop multi-brand stores that offer a wide selection of MBC Products under the Mothercare Brands, including strollers, clothing, furniture and home furnishings, and cater to the mid- to high-end market and further enhance and complement our product and brand portfolio. As of October 31, 2015, Mothercare-Goodbaby JV operated 100 Mothercare Brands stores.

We seek to differentiate ourselves from other MBC Product retailers with our strong and efficient operational capabilities for various aspects of network operation management, including store operation management, supply chain management, logistics processes management, inventory management and warehousing management. Our localized network management strategy, through our 34 branch offices and three subsidiaries located in 29 provinces, enhances our store operational capabilities and enables us to exercise a high degree of control over our stores, and maintain a close working relationship with our offline third-party retailers and distributors and regional operators of supermarkets and hypermarkets. This localized approach to network management also helps us enhance our marketing capabilities by better developing and using local resources. We believe this structure distinguishes us from our competitors and has enabled us to enhance our operational efficiency.

China's retail sales of consumer products experienced a slow-down in growth in recent years. Please refer to "Industry Overview—Economic Growth, Increasing Disposable Income, Continued Urbanization, Rising Demand for Consumer Products and Growing Youth Population" for details. Despite this slowdown in growth in China's retail industry, we recorded encouraging same-store sales growth at our Comparable Stores during the Track Record Period. The average revenue of Comparable Stores for all brands increased by 5.4% in 2014 compared to 2013, and increased by 3.8% in the ten months ended October 31, 2015 compared to the ten months ended October 31, 2014. The average revenue of Comparable Stores for the sports & leisure brands increased by 5.4% in 2014 compared to 2013, and increased by 8.0% in the ten months ended October 31, 2015 compared to the ten months ended October 31, 2014.

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With effective operational management of our sales network, multiple highly adaptable sales formats and disciplined approach to expansion, we believe our offline sales network serves as a key pillar supporting our O2O initiatives and our omni-channel sales platform.

### **Solid operational capabilities supported by proprietary IT systems**

Our efficient IT infrastructure-backed supply chain management system is essential to support our omni-channel sales platform and meet the requirements of end-customers of varied demographics. Our IT infrastructure integrates our proprietary POS, DRP, SCRM and WMS systems. With the support of advanced technology, our supply chain management system provides our management with high visibility and control over critical aspects of the supply chain, including inventory levels, warehousing management, logistics and store operations. As a result, we can maintain competitive inventory levels, efficiently process orders from both offline and online sales channels, reduce logistics costs and shorten order-fulfillment time.

We have one national distribution center (NDC), one regional distribution center (RDC) and 37 local distribution hubs (DC-Hub) located in 27 provinces. These facilities work together to effectively and efficiently fulfill orders from both our offline and online sales channels. Our WMS system tracks the inventory information in all distribution centers, hubs and self-operated stores and some of the stores operated by authorized third-party offline retailers in real time, which enables us to continuously improve the space utilization and operational efficiency of our warehousing facilities. Using our recently-launched mamahao (媽媽好) and other O2O initiatives, we can fulfill orders from mamahao (媽媽好) and online sales channels with inventory stored in NDC, RDC, DC-Hubs or even in nearby stores, all as automatically designated by our IT systems based on inventory levels and optimal logistics routes. End-customers shopping online can receive products within three hours if their delivery address is within three kilometers of one of our stores that has the relevant products in stock. Furthermore, our operational management systems have successfully integrated the supply chain management for three different product categories, namely durable juvenile products, apparel products for babies and children and maternity and baby care products, which have different requirements for ordering, storage, logistics and sales channel management.

We believe our supply chain management lays a solid foundation for the development of our omni-channel sales platform. We shortened our inventory turnover days from 198.3 days in 2012 to 194.3 days in 2013 to 156.7 days in 2014 and 156.5 days for the ten months ended October 31, 2015, partially attributable to our growing supply chain management capabilities in recent years.

### **Visionary founders and highly experienced management team**

Our founders, Mr. Song, chairman of our board, and Ms. Fu, our chief executive officer, are both widely recognized industry veterans with proven track records of introducing new business opportunities. They are pioneer entrepreneurs in both the MBC Product industry and retail merchandising and operations. Under the leadership of Mr. Song and Ms. Fu, we have introduced many innovative sales formats and initiatives, such as our multi-brand Kids Station, and captured early-mover advantages in the online sales in China's MBC Product industry.

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Our senior management team is composed of executives with extensive and diversified industry experience and strong execution capabilities. Members of our senior management team on average have more than 10 years of experience in the MBC Product industry, the retail industry or the e-commerce industry. Many of them have worked with industry leading companies. We benefit from our founders and senior management's entrepreneurial spirit and strong business acumen in establishing our extensive offline sales network, which serves as a solid foundation for our online and offline business development and expansion. Our founders and management team have nurtured a corporate culture dedicated to the pursuit of excellence. These values and culture, coupled with our leadership position and our employee training, career development and incentive programs, have contributed greatly to motivating and retaining our talented employees to drive our further growth.

### OUR STRATEGIES

Our goal is to continue to lead and consolidate our leading position in China's MBC Product retail industry and further expand our coverage to other products that we believe will appeal to our current end-customers. We plan to achieve this goal by proactively developing a mutually beneficial relationship with our brand companies, third-party retailers, distributors, suppliers and end-customers in establishing an ecosystem for MBC Products. These strategies include:

#### **Continue to strengthen our omni-channel sales platform with an aim to maximize economic benefits across our entire sales network**

Leveraging our differentiated brand strategy, strong portfolio of reputable brands and quality and trendy products, and the support of our integrated supply chain management, we intend to continually strengthen our omni-channel sales platform through various initiatives. Firstly, we are rolling out our mobile application, mamahao (媽媽好), nationwide following its successful pilot operation in six cities. Secondly, to further enhance customer experience and optimize the strengths of our omni-channel sales platform, we intend to further cultivate our offline sales network nationwide, develop social media and digital marketing beyond mamahao (媽媽好) and existing online sales channels and further invest in integration between online and offline retail channels. For example, we plan to extend our customer reach offline and enhance the customer experience by expanding our innovative sales format, Goodbaby e-Family, which offers a physical platform where our online customers can experience our products in a specific context and receive our customer-oriented services. We also plan to open more Kids Stations in first- and second-tier cities to meet the rapidly rising demand for sportswear and sports shoes for babies and children under reputable international brands. To strengthen our e-commerce sales capabilities and further extend our customer reach, we plan to explore new mobile sales formats to take advantage of the increasing popularity of social media networks in China. For example, to leverage the increasing popularity of mobile shopping, we plan to launch a new "mobile micro-shop" sales format in which our sales personnel and other individuals can register with us as sellers and sell the same products that are available on mamahao (媽媽好) to end-customers through their "mobile micro-shops," and in return receive a commission for each sale. Using a commission system, these sellers will be incentivized to advertise and promote our products over social media networks, such as through Wechat's "Moments" feature that offers users updates on their online friends, to attract end-customers to their "mobile micro-shops" to make purchases. End-customers will be able to conveniently purchase products available on mamahao (媽媽好) in one of these "mobile micro-shops" directly through their social media accounts or via a

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range of other payment options. These “mobile micro-shops” will be fully connected to our mamahao (媽媽好) platform, so that orders placed by end-customers through these shops will be tracked and directly fulfilled by us on a real-time basis. We believe the superior shopping experience and valuable services offered through our integrated online and offline sales channels will help attract more end-customers and enhance customer “stickiness.”

We also plan to leverage the local resources of third-party retailers and distributors to support these O2O initiatives. We are implementing incentives to allow our offline self-operated stores to better support our offline-online integration using a profit-sharing mechanism. For example, an order placed by our end-customers through mamahao (媽媽好) can be fulfilled by one of our neighboring self-operated stores. In addition, using mamahao (媽媽好), a customer is now able to place orders in one of our offline self-operated stores for products that are not in stock in that store, and have the ordered products delivered to them directly from our warehouses. This sale is still counted as a sale made by that offline self-operated store. This effectively extends our offline self-operated stores’ product offerings and customer reach and increases their sales. These initiatives will further improve offline store operations and provide end-customers a connected retail experience that blends the ease and convenience of online shopping with the comfort and superior services provided by in-store shopping, helping to provide our end-customers a seamless, omni-channel experience.

### **Strengthen our big data analysis capabilities**

The data generated on our omni-channel sales platform potentially can provide significant value to us, our brand companies, our end-customers and other participants in the MBC Product ecosystem. We plan to further strengthen our big data analysis and research capabilities to support our product planning, our targeted selling and marketing initiatives and to improve our customer services and feedback. We also plan to improve our data-sharing scheme across our entire network, which we believe, with our targeted marketing and promotion techniques, will enhance our overall ability to generate revenue across our entire network. We also expect to use the results of these initiatives to gain greater insight into the MBC Product retail industry. We intend to continue to enhance our capabilities to better understand consumer behavior and utilize our analysis to better serve our end-customers—which ultimately drives our growth. We believe that the insight gained from enhancing our data analysis capabilities will be valuable in identifying additional business opportunities.

### **Enhance our order-fulfillment infrastructure**

As of the Latest Practicable Date, we had 39 warehouses in 27 provinces in China, including one national distribution center, one regional distribution center and 37 local distribution hubs. We plan to establish additional regional distribution centers to support areas where we have a critical mass of end-customers and sufficient orders to justify the expenditures required. With additional warehousing capacity, we aim to improve our logistics efficiency and shorten our order-fulfillment time, which will allow us to timely respond to changing market demand and reduce our delivery expenses, particularly for our growing online sales. With our strategically-located distribution centers, we expect to enhance our inventory management across different sales channels with an aim to optimizing our inventory levels and enhancing our profitability. We also plan to upgrade the IT infrastructure for our WMS system to better support our warehousing and logistics management. We believe these changes will improve our end-consumers’ shopping experience, which will ultimately boost our sales.

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### **Promote and improve our own Goodbaby retailing brand image to drive increased sales and enhance profitability**

We believe that strong brand management capabilities are essential to the success of our retail business. We plan to strengthen customer recognition of and engagement with the brands we offer through targeted marketing efforts, including by our resiliently providing high-quality personalized customer services and promoting word-of-mouth referrals. We will also promote and enhance our own Goodbaby retailing brand image, which we believe is critical to our sustainable development. To accomplish this, we will emphasize the development of our Goodbaby e-Family and Kids Stations. We also plan to capitalize on our industry expertise and market-leading position to optimize our brand portfolio.

### **Selectively pursue strategic alliances and acquisitions**

We will selectively pursue strategic alliances and acquisitions of businesses, assets and technologies that will complement our existing capabilities and revenue streams and expand our omni-channel sales network. Targets of our strategic alliance and acquisitions may include pre-school educational services providers, high-quality regional retailers and high-quality branded retailers of maternity and baby care products. For example, we believe that, through strategic alliances with or acquisitions of pre-school educational service providers, we will be able to not only sell MBC Products, but also provide pre-school educational services, which we believe will enhance our brand image, increase the customer traffic to our stores, foster interaction between us and the parents of the babies and children we provide educational services to, who are also end-customers of our MBC Products. These developments may in turn increase customer spending and loyalty and broaden our customer reach. Our management will carefully evaluate any acquisition, investment or strategic cooperation opportunities that may arise from time to time based on strategic fit and the ability to create value for our Company and shareholders. We had not entered into any binding commitment, whether oral or written, for any business or asset acquisitions as of the Latest Practicable Date.

## **OUR BUSINESS MODEL**

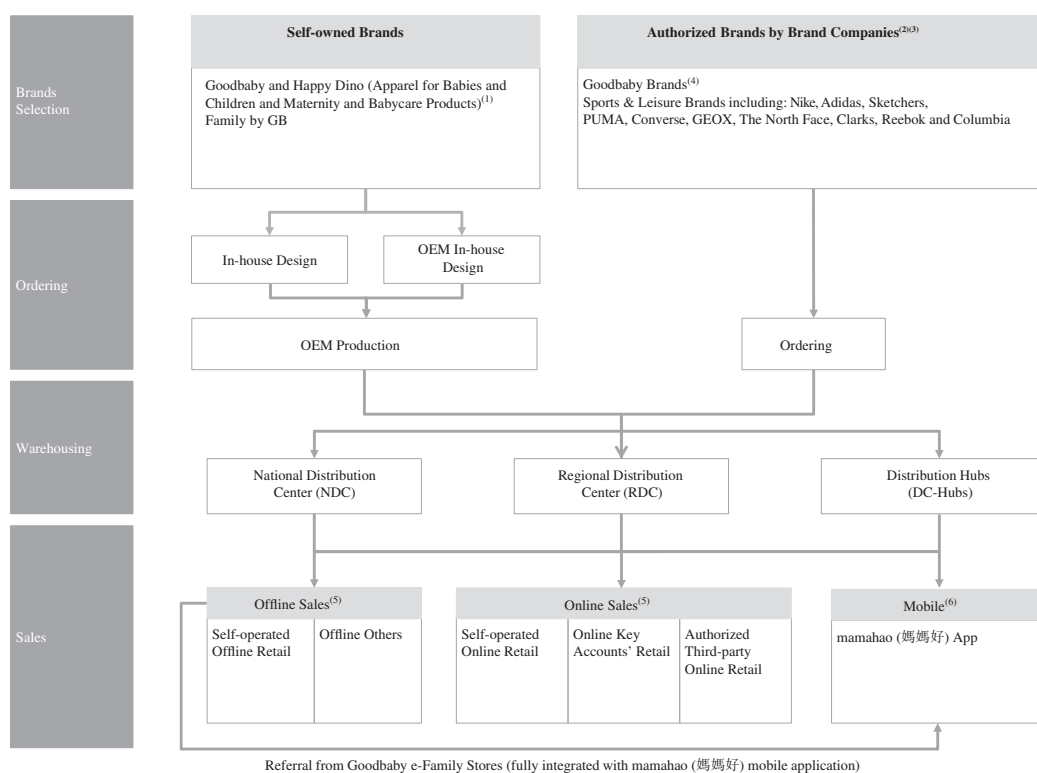
We are China's largest omni-channel specialty retailer for MBC Products and one of China's leading sales platforms among all retailers selling MBC Products, each as measured by total retail sales value in 2014 according to Frost & Sullivan. We sell a wide variety of trendy MBC Products, ranging from maternity products to products for babies and children up to the age of 12, through multiple sales formats and sales channels across China. Our robust and adaptable business model focuses on "BOOM":

- *Brand Strategy and Portfolio.* We differentiate ourselves from other MBC Product retailers with our strong and strategic partnership relationships with our brand companies. We offer products primarily under the Goodbaby Brands and a portfolio of carefully curated leading international sports & leisure brands;

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- Online.** Our online sales channels include (i) self-operated online retail sales channels, (ii) online key accounts' retail platforms, such as JD, and (iii) authorized third-party online retailers. Benefiting from technology advances, consumers nowadays are increasingly purchasing products, including MBC Products, through multiple channels both online and offline. Therefore, the introduction of our online sales channels, as part of our strategy in operating as an omni-channel retailer, is meant to provide more comprehensive access points, convenience and with wider choices of products to its consumers without differentiating consumers between online and offline channels;
- Offline.** Our offline sales channels include (i) self-operated stores, (ii) authorized third-party offline retailers, (iii) third-party maternity and childcare specialty stores, (iv) supermarkets and hypermarkets, and (v) offline distributors; and
- Mobile.** To complement our online and offline sales network, we offer products under selected brands through our mamahao (媽媽好) mobile application directly to end-customers; the launch of mamahao (媽媽好) also supports the ongoing integration of our online and offline sales channels. See “—Our O2O Initiatives.”

Our business model is illustrated in the following diagram:



**Notes:**

- Trademarks of these brands are currently being transferred to us.
- In addition to the brands listed, we have also established a joint venture with Mothercare UK, Mothercare-Goodbaby JV, to sell Mothercare Brands products under the authorization of Mothercare UK and other third-party brand companies.



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- (3) Each of the sports & leisure brands has authorized us to distribute their products through specific sales channels.
- (4) Excluding Goodbaby and Happy Dino (both in terms of apparel for babies and children and maternity and baby care products) and Family by GB, which are included in our self-owned brands.
- (5) See “—Our Omni-channel Sales Platform” for details of these sales channels.
- (6) See “—Our O2O Initiatives” for details.

### OUR O2O INITIATIVES

Customer experience is critical for success in China’s MBC Product retail business. To provide our end-customers with a more integrated shopping experience, we have implemented a number of O2O initiatives, including, particularly, the launch of our mamahao (媽媽好) mobile application in August 2015:

*IT System Integration.* Leveraging our extensive offline sales network and early-mover advantages in online sales of MBC Products, we have fully integrated our POS, DRP, SCRM and WMS systems over an advanced information technology platform. This allows us to collect and analyze operational data and information, including procurement, sales, inventory, order fulfillment, logistics, customer and membership data and after-sales services, on a real-time basis across our online and offline self-operated retail sales channels and some of the stores operated by authorized third-party offline retailers. This integrated architecture has enabled us to manage our multiple online and offline retail sales channels in an effective and timely manner.

*Mamahao (媽媽好) Mobile Application.* At the core of our O2O initiatives, we have invested substantial resources to build our mobile application, mamahao (媽媽好), for both Android and iOS, through which we sell products directly to end-customers. Through mamahao (媽媽好), we offer products under the Goodbaby Brands and selected sports & leisure brands and Mothercare-Goodbaby JV sells products under the Mothercare Brands. We launched mamahao (媽媽好) in August 2015 for pilot operation in six cities: Shanghai, Hangzhou, Shenzhen, Chengdu, Taiyuan and Fuyang. Since launching mamahao (媽媽好) in August 2015, we have rapidly attracted over 913,000 users who have

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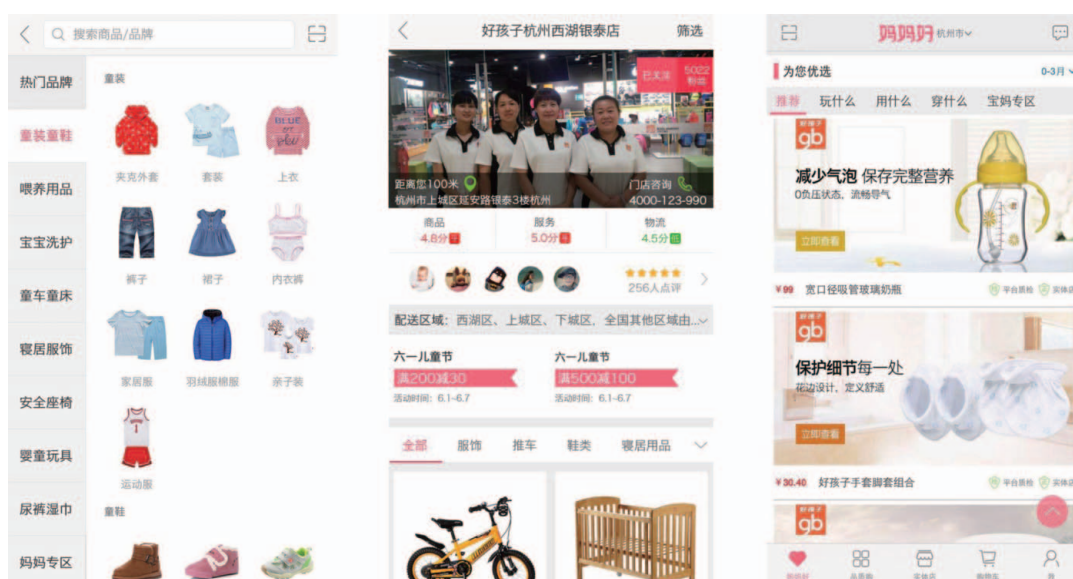
downloaded and registered mamahao (媽媽好), and over 797,000 transactions had been made through it as of the Latest Practicable Date. As of the Latest Practicable Date, revenue generated by our newly launched mamahao (媽媽好) mobile application had been insignificant.



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Our mamahao (媽媽好) mobile application is fully integrated with our POS, DRP, SCRM and WMS systems using an advanced information technology platform. This integrated architecture allows us to take advantage of our nationwide offline sales network to provide logistics and warehousing support to our mobile sales such as directing end-customers placing orders on mamahao (媽媽好) to our nearest stores where the products are in stock. This integration also enables us to monitor our inventory level across our online and offline sales network on a real-time basis. Using mamahao (媽媽好), we can provide our end-customers with an integrated shopping experience both offline and online:

- *User friendly.* The layout of mamahao (媽媽好) is intuitive and easy to use, enabling our end-customers to quickly and efficiently browse, select and purchase products. In addition, our end-customers can conveniently browse and search for products on mamahao (媽媽好) by brand, category and functionality, and can sort product listings by popularity and price.
- *Location-based services.* Our end-customers placing orders using mamahao (媽媽好) are automatically notified of neighboring stores where they can try out the products and make payments, including store location, contact information and product offerings. Upon placing an order, our end-customers may elect to pick up the products in one of our neighboring stores or have the products delivered to their doorsteps using our three-hour or 24-hour express delivery services.
- *Personalized product recommendations.* Mamahao (媽媽好) makes personalized product recommendations to end-customers based on their browsing and purchase histories and other information submitted to us, such as the age groups and gender of the user's children. Our end-customers can conveniently browse these personalized product recommendations through mamahao (媽媽好) and make purchases anytime, anywhere.
- *Customer services and membership program.* We provide consistent after-sales services and hotline support to customers across our omni-channel sales platform. We also synchronize our membership program based on membership credits across our omni-channel sales platform. End-customers can redeem their membership credits for gifts and maternity and childcare-related services and information online or offline.



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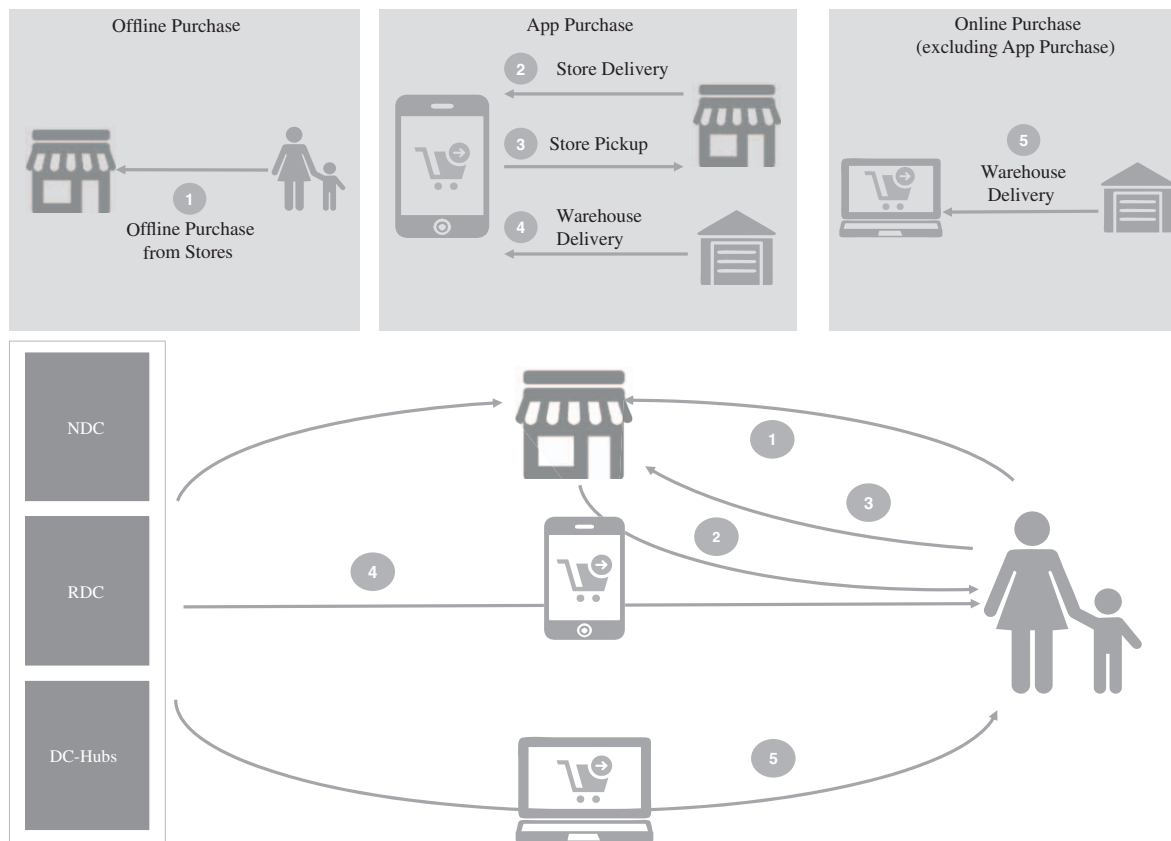
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We are in the process of developing additional features for mamahao (媽媽好), which include advanced functions such as interactive online communities to foster customer peer-sharing, online consultation services and a “mobile micro-shop” sales format to expand our mobile sales and increase O2O integration. We believe that these O2O initiatives will support us in delivering a superior shopping experience and enhancing customer awareness of the brands and products we offer, and position us well to pioneer a MBC Product ecosystem in China.

### OUR OMNI-CHANNEL SALES PLATFORM

Our omni-channel sales platform includes multiple online and offline sales network, which provides our end-customers with easy access to our well-curated assortment of trendy MBC Products anytime, anywhere. The diagram below illustrates the structure of our omni-channel sales platform:



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The following table provides a breakdown of our sales channels as of the dates indicated, which represents (1) as to our self-operated online retail and offline retail channels, the number of our online sales platforms and offline stores, respectively; and (2) as to the remaining sales channels, the number of operators of these channels. The following table also provides a breakdown of our revenue from continuing operations derived from these sales channels for the periods indicated:

Sales Channels	As of January 1,	As of December 31,			As of October 31,
	2012	2012	2013	2014	2015
<i>Online</i>					
Self-operated online retail <sup>(1)</sup>	4	5	8	12	12
Online key accounts' retail	—	3	3	4	7
Authorized third-party online retail	—	19	58	110	145
<i>Offline</i>					
Self-operated offline retail <sup>(2)</sup>	1,265	1,471	1,632	1,908	2,046
Offline others <sup>(3)</sup>	711	720	929	1,092	1,247

Revenue from continuing operations	Year Ended December 31,						Ten Months Ended October 31,			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>Online</i>										
Self-operated online retail	54,961	2.9	170,881	7.4	324,295	10.6	226,100	9.0	257,351	8.6
Online key accounts' retail	28,251	1.5	62,476	2.7	130,346	4.3	93,104	3.7	155,134	5.2
Authorized third-party online retail	15,930	0.8	118,973	5.1	219,508	7.1	155,572	6.3	258,251	8.6
	99,142	5.2	352,330	15.2	674,149	22.0	474,776	19.0	670,736	22.4
<i>Offline</i>										
Self-operated offline retail <sup>(2)</sup>	1,250,226	64.9	1,482,095	63.8	1,766,987	57.7	1,511,893	60.4	1,781,662	59.3
Offline others <sup>(3)</sup>										
Authorized third-party offline retailers	78,606	4.1	90,227	3.9	141,284	4.6	112,104	4.5	152,962	5.1
Third-party maternity and childcare specialty stores	107,956	5.6	92,506	4.0	95,295	3.1	85,675	3.4	65,308	2.2
Supermarkets and hyper-markets	132,200	6.9	119,180	5.1	113,377	3.7	96,695	3.9	83,809	2.8
Offline distributors	211,513	11.0	162,450	7.0	219,824	7.2	185,667	7.4	189,667	6.3
Other offline customers	44,396	2.3	25,107	1.0	52,406	1.7	34,506	1.4	56,792	1.9
	574,671	29.9	489,470	21.0	622,186	20.3	514,647	20.6	548,538	18.3
	1,824,897	94.8	1,971,565	84.8	2,389,173	78.0	2,026,540	81.0	2,330,200	77.6
<b>Total</b>	<b>1,924,039</b>	<b>100.0</b>	<b>2,323,895</b>	<b>100.0</b>	<b>3,063,322</b>	<b>100.0</b>	<b>2,501,316</b>	<b>100.0</b>	<b>3,000,936</b>	<b>100.0</b>

### Notes:

- (1) Includes (i) our own web-based sales platform, haohaizi.com and (ii) our flagship stores on third-party online platforms, including Tmall and Dangdang. Self-operated online retail also includes cn.mothercare.com, the web-based sales platform of Mothercare UK in China.

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- (2) Includes stores operated by us and located within department stores and shopping malls and stores at street level. For department stores, we typically sell Goodbaby Brands products in arrangements where we have several separate outlets within a single department store; these arrangements are counted as one store. In addition to revenue from our self-operated offline stores, our self-operated offline retail segment's revenue includes revenue generated from our offline sales promotion events organized by our headquarters and branch offices.
- (3) Includes authorized third-party offline retailers, operators of third-party maternity and childcare specialty stores, operators of supermarkets and hypermarkets and offline distributors. In addition to revenue generated from these third-party retailers and distributors, our offline others segment's revenue also includes revenue generated from other offline customers.

### **Our Online Sales Network**

We maintain a robust online presence through a mix of self-operated online sales channels and third-party online sales channels. We have developed this network over the past few years to cater to the evolving needs and preferences of China's online shoppers. To access China's rapidly growing online retail market, we launched our own web-based sales platform, haohaizi.com, in May 2010, followed in October 2010 by our first Goodbaby Brands flagship store on Tmall, which is one of China's best known business-to-customer online shopping platforms. We further expanded our online sales network by selling products on the retail platforms of our online key accounts since March 2012.

Our online sales network currently consists of:

- self-operated online retail sales channels for direct sales to end-customers, which include (i) our own web-based platform, haohaizi.com, for the sale of apparel and footwear for babies and children, maternity and babycare products and durable juvenile products such as strollers, car seats, cribs, tricycles and bicycles, under the Goodbaby Brands and the Skechers and PUMA brands, and (ii) our flagship stores on third-party online platforms, including Tmall and Dangdang, for the sale of apparel, sportswear, sports shoes and accessories for babies and children, maternity and babycare products, toys and durable juvenile products such as strollers, car seats, cribs and tricycles, under the Goodbaby Brands, the Mothercare Brands and the Skechers, PUMA and The North Face brands. Self-operated online retail sales channels also include cn.mothercare.com, the web-based sales platform of Mothercare UK in China, which sells apparel and footwear for babies and children, maternity and babycare products, toys and durable juvenile products such as strollers, car seats and nursery furniture exclusively under the Mothercare Brands;
- retail platforms of our online key accounts, such as JD, selling maternity and babycare products and durable juvenile products such as strollers, car seats and cribs under the Goodbaby Brands; and
- authorized third-party online retailers, selling apparel for babies and children, maternity and babycare products and durable juvenile products such as strollers, car seats and cribs under the Goodbaby Brands.

Leveraging the popularity of the brands we offer and our broad customer base, our online sales network has grown rapidly and substantially since its inception. In 2012, 2013 and 2014, our self-operated online retail sales channels had active customers of approximately 170,000, 450,000 and 717,000, respectively. In the ten months ended October 31, 2014 and 2015, our self-operated online retail sales channels had active customers of approximately 499,000 and 606,000, respectively.



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We have implemented a number of initiatives to avoid competition between our online and offline sales network:

- *Product offering.* Benefiting from our extensive product offering, we are able to have differentiated product offerings online and offline and offer a wide range of products exclusively online. These products are different variations of products we offer offline, such as with bulk packaging or varied technical specifications and aesthetic design, and are curated to cater to the needs of our online customers. By offering differentiated products online and offline, we believe we are able to provide our end-customers with a wider choice of products while avoiding cannibalisation between our online and offline sales network; and
- *Suggested retail prices.* We have set the suggested retail prices uniformly across our online and offline sales channels to prevent price competition between our online and offline sales channels. We actively monitor the sales activities of our online and offline sales channels for non-compliance of the suggested retail prices and that they do not compete against each other by lowering their retail prices. We visit our online key accounts' retail platforms and authorized third-party online retailers' online stores on a daily basis to verify whether they follow suggested retail prices. We also conduct onsite inspections and random spot checks of third-party offline retailers and distributors' stores to verify whether they follow suggested retail prices. See “—Network Management and Operations—Management of Third-Party Retailers and Distributors” for more details.

Through our online sales network, we offer a wide range of MBC Products, including apparel and footwear for babies and children, durable juvenile products and maternity and baby care products, under the Goodbaby Brands, selected sports & leisure brands including Skechers, PUMA, The North Face and the Mothercare Brands.

We do not impose any minimum purchase requirement for our online sale channels.

### *Self-Operated Online Retail Sales Channels*

We sell products directly to end-customers through a number of self-operated online retail sales channels. These online retail sales channels enable us to meet our end-customers' needs for convenience and to extend our geographic coverage and customer reach. They also serve as a highly effective marketing tool that drives consumer traffic to our stores.

*Our own web-based sales platform.* Launched in May 2010, our own web-based sales platform, haohaizi.com, features a broad range of MBC Products, including apparel and footwear for babies and children, maternity and baby care products and durable juvenile products such as strollers, car seats, cribs, tricycles and bicycles, under the Goodbaby Brands and the Skechers and PUMA brands.

*Flagship stores on third-party online platforms.* We have established flagship stores on Tmall, such as our Goodbaby Brands flagship stores, the Mothercare flagship store and Kids Station flagship store, and also established our Goodbaby Brands flagship store on Dangdang. Our flagship stores offer a wide variety of MBC Products, including apparel, sportswear, sports shoes and accessories for



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babies and children, maternity and baby care products, toys and durable juvenile products such as strollers, car seats, cribs and tricycles, under several leading domestic and international brands, including the Goodbaby Brands, the Mothercare Brands and selected sports & leisure brands including Skechers, PUMA and The North Face.

**Brand company's web-based platform.** We operate cn.mothercare.com, the web-based platform of Mothercare UK in China that offers a wide variety of MBC Products exclusively under the Mothercare Brands, including apparel and footwear for babies and children, maternity and baby care products, toys and durable juvenile products such as strollers, car seats and nursery furniture.

The following table sets forth self-operated online sales channels as of the Latest Practicable Date:

Online Retail Sales Channels	Time of Launch <sup>(1)</sup>	Product Offering
<i>Our own web-based sales platform, haohaizi.com</i>	May 2010	Apparel and footwear for babies and children, baby care products, maternity products, stroller, car seat, crib, tricycle and bicycle
<i>Our flagship stores on third-party online platforms:</i>		
• Six Goodbaby Brands flagship stores on Tmall	October 2010	Baby care products, apparel for babies and children, car seat, bathing equipment, accessories, stroller, electronic toy car, tricycle, bicycle, crib and mattress
• Kids Station flagship store on Tmall	June 2014	Sports apparel and footwear for babies and children under Skechers, PUMA and The North Face brands
• Skechers flagship store on Tmall	April 2013	Skechers-branded sports apparel and footwear for babies and children
• Mothercare flagship store on Tmall	March 2013	Apparel and footwear for babies and children, maternity products, baby care products, stroller, toys and books
• Goodbaby Brands flagship store on Dangdang	June 2013	Stroller, car seat, crib and mattress, baby care products, bicycle and tricycle
<i>The web-based sales platform of Mothercare UK in China, cn.mothercare.com</i>	April 2015	Apparel and footwear for babies and children, maternity products, stroller, car seat, nursery furniture, bedding, bathing equipment, feeding and toys

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(1) Refers to the first date that sales under the relevant sales channel were launched.

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We endeavor to deliver an engaging online shopping experience to our end-customers. With our fully-integrated information technology system comprising our POS, DRP, SCRM and WMS systems, we can take advantage of our nationwide offline sales network to provide logistics, warehousing, sales and after-sales services support to our online sales network. For example, an end-customer placing an order using mamahao (媽媽好) can conveniently make payment and pick up ordered products in one of our nearby stores. See “—Our O2O Initiatives.” We offer a carefully curated selection of popular items, including a wide range of items available exclusively online. We also organize selected sales events exclusively on our online retail sales channels to generate additional user traffic, such as online flash sales. Our online retail sales channels feature detailed product descriptions, consumer reviews and multi-angle picture illustrations, which assist our end-customers in their product selections and improve their shopping experience.

We seek to provide our end-customers with a customized online shopping experience by analyzing and understanding their transaction and browsing histories, reviews on our online sales channels and other information collected through our integrated SCRM system. We hold targeted online sales events to increase customer retention and to enhance cross-selling opportunities. We periodically send targeted promotional offers to our online users using text messages and mobile push notifications. We are continuously developing additional features for our online sales network to enhance user experience.

We utilize the market intelligence collected through our online retail network to reinforce our customer-focused approach, including in product design and development, procurement, inventory management, marketing and brand-building, pricing strategies and promotional activities.

During the Track Record Period, our online sales channels sold an aggregate of approximately 37,700 SKUs of products. Our self-operated online retail sales contributed approximately 55.4%, 48.5%, 48.1% and 38.4% of our revenue from continuing operations from online sales, and approximately 2.9%, 7.4%, 10.6% and 8.6% of our revenue from continuing operations, in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively.

According to the Notice on the Relevant Issues concerning the Examination, Approval and Administration of Projects of Foreign Investment in Internet and Vending Machine Sales (商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知), which was promulgated by MOFCOM and took effect on August 19, 2010, and as advised by our PRC legal adviser, Jingtian & Gongcheng, our online sales comply with the relevant PRC laws and regulations, as we only sell products to end-customers through e-commerce channels and do not provide any online services to any business entities. Moreover, we have filed registration with the relevant governmental authorities for the operation of our self-operated websites as required under the aforesaid regulation.

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### *Online Key Accounts' Retail Platforms*

To further expand our online sales network, we began selling maternity and baby care products and durable juvenile products such as strollers, car seats and cribs under the Goodbaby Brands on the retail platforms of our online key accounts, such as JD, in March 2012. As of December 31, 2012, 2013 and 2014 and October 31, 2015, we had sales arrangements with three, three, four and seven online key accounts, respectively. All of our online key accounts as of the Latest Practicable Date were Independent Third Parties.

The following table sets forth the changes in the number of our online key accounts for the periods indicated:

	<b>As of and for the year ended December 31,</b>			<b>As of and for the ten months ended October 31,</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b><i>Online Key Accounts</i></b>				
As of the beginning of the period . . . . .	—	3	3	4
Addition of new online key accounts . . . . .	3	—	1	4
Termination of online key accounts . . . . .	—	—	—	1
Net increase in the number of online key accounts . . . . .	3	—	1	3
As of period-end . . . . .	3	3	4	7

The increase in the number of our online key accounts during the Track Record Period was mainly because we continuously expanded our online sales network. We terminated an underperforming online key account in the ten months ended October 31, 2015.

We believe that our strong merchandising capabilities and in-depth industry knowledge make us an attractive supplier for our online key accounts as recognized brands enhance their customer retention. Based on our industry knowledge, we believe that our sales to online key accounts are in line with industry practice.

We select our online key accounts based primarily on the following criteria:

- brand name and reputation;
- creditability and financial condition;
- customer services capabilities; and
- compatibility with our growth strategies.

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We use sales agreements with our online key accounts. Our online key accounts purchase products from us as principal and then on-sell the products to end-customers through their retail platforms. These sales agreements are usually based on standardized form of agreements of the online key accounts and include the following key terms:

- *Duration:* Generally one year, renewable upon mutual agreement.
- *Sales targets and incentive scheme:* We designate quarterly or annual sales targets for two of our online key accounts, and provide sales rebates as incentives when their purchases from us reach or exceed these sales targets. These sales rebates are determined by us and we deduct them from the purchase price payable by the online key accounts on a quarterly and annual basis. If these online key accounts fail to reach their quarterly or annual sales targets, no sales rebates will be granted.
- *Delivery and revenue recognition:* We recognize revenue from sales to our online key accounts upon delivery of the products to them. Deliveries to our online key accounts' warehouses are handled by third-party logistics service providers and delivery costs are generally borne by us.
- *Return and exchange:* Our online key accounts can return or exchange defective products. During the Track Record Period, one of our online key accounts was entitled to return slow-moving products. During the Track Record Period and until its cooperation with us was terminated in 2015, we did not experience any return of slow-moving products from this online key account.
- *Credit and payment terms:* As our online key accounts are operators of reputable, large-scale retail platforms, we generally grant credit terms of up to 15 days to our online key accounts. Our sales to our online key accounts are generally settled in RMB via wire transfers.
- *Termination:* Our sales agreements with our online key accounts may be terminated by either party upon the occurrence of certain specified events, such as bankruptcy or insolvency of the counterparty.

We track product sales and inventory levels of products each of our online key accounts sources from us in real-time through its back-end system on a daily basis.

Sales to our online key accounts contributed approximately 28.5%, 17.7%, 19.3% and 23.1% of our revenue from continuing operations from online sales, and approximately 1.5%, 2.7%, 4.3% and 5.2% of our revenue from continuing operations, in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively.

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### *Authorized Third-Party Online Retailers*

To further expand the breadth and depth of our market presence, we also sell apparel for babies and children, maternity and baby care products and durable juvenile products such as strollers, car seats and cribs under the Goodbaby Brands on a wholesale basis to authorized third-party online retailers. These authorized third-party online retailers purchase products from us as principal and on-sell them to end-customers online through their online stores on third-party online platforms such as Tmall. Based on our industry knowledge, we believe that our use of authorized third-party online retailers is in line with industry practice.

The following table sets forth the changes in the number of our authorized third-party online retailers for the periods indicated:

	As of and for the year ended			As of and for the
	December 31,			ten months ended
	2012	2013	2014	October 31,
	2012	2013	2014	2015
<b><i>Authorized Third-Party Online Retailers</i></b>				
At the beginning of the period . . . . .	—	19	58	110
Addition of new retailers . . . . .	19	40	67	35
Termination of retailers . . . . .	—	1	15	—
Net increase in the number of retailers . . . . .	19	39	52	35
At the end of the period . . . . .	19	58	110	145

The increases in the number of our authorized third-party online retailers during the Track Record Period were mainly due to the addition of new authorized third-party online retailers as we continuously expanded our online sales network. This increase was partially offset by the termination of authorized third-party online retailers who did not achieve our sales targets or failed to comply with our operating guidelines.

We select, authorize and manage our authorized third-party online retailers at our headquarters level. We select our authorized third-party online retailers based primarily on the following criteria:

- credibility and financial condition;
- online retail, storage and logistics capacities;
- professional sales team; and
- relationship with major online sales platforms.

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We use standardized distributorship agreements with our authorized third-party online retailers specifying terms including the designated sales channels, pricing policies and sales targets. The key terms of our standardized distributorship agreements generally include:

- *Duration:* Generally one year.
- *Designated sales channels:* The distributorship agreements specify the online retail sales channels that our authorized third-party online retailers can use to sell products they source from us. Our authorized third-party online retailers are restricted from selling the products they source from us outside of their designated sales channels or to our online key accounts. Failure to comply with these restrictions may result in penalties, and in severe cases, our suspending product supply.
- *Sales targets and incentive scheme:* We designate monthly, quarterly or annual sales targets for each authorized third-party online retailer, and provide them with sales rebates as incentives when their purchases of maternity and baby care products under the Goodbaby Brands from us reach or exceed these sales targets. These sales rebates are determined by us and we deduct them from the purchase price payable by the authorized third-party online retailers on a quarterly and annual basis. We can terminate these distributorship agreements if the relevant authorized third-party online retailers fail to achieve their sales targets.
- *Resale price management:* Our authorized third-party online retailers follow our suggested retail prices for the products they source from us. We can impose penalties on authorized third-party online retailers who violate our pricing policies, including fines and temporarily suspending product supply.
- *Delivery and revenue recognition:* We deliver products to our authorized third-party online retailers, and the delivery costs are borne by our authorized third-party online retailers or us, depending on the size of the order. Title and legal risks to the products we sell pass to our authorized third-party online retailers and the sales are recognized as revenue, upon delivery or pick-up of the products.
- *Credit and payment terms:* We do not provide credit terms to our authorized third-party online retailers. Our sales to authorized third-party online retailers are generally settled in RMB via wire transfers.
- *Return and exchange:* Our authorized third-party online retailers are allowed to return defective products they purchase from us within prescribed time-periods.
- *Intellectual property:* Our authorized third-party online retailers are prohibited from making unauthorized use of our trademarks, trade secrets and other intellectual property rights. Our authorized third-party online retailers may only use our trademarks for the promotion of the products we sell and upon our prior written consent, and are prohibited from infringing the intellectual property rights of third parties.

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- *Inventory control:* We work with our authorized third-party online retailers to maintain approximately 30 days of inventory. In addition, although we currently do not conduct onsite inspections of authorized third-party online retailers' premises, we are entitled to perform spot checks on our authorized third-party online retailers' warehouses to prevent the accumulation of excessive inventory.
- *Termination:* We can terminate the distributorship agreements if our authorized third-party online retailers fail to perform any of their obligations under the distributorship agreements and fail to rectify the breach within a prescribed time-period.

None of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the Offer Shares) had any interest in any of our authorized third-party online retailer during the Track Record Period.

Sales to our authorized third-party online retailers contributed approximately 16.1%, 33.8%, 32.6% and 38.5% of our revenue from continuing operations from online sales, and approximately 0.8%, 5.1%, 7.1% and 8.6% of our revenue from continuing operations, in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively.

### **Our Offline Sales Network**

We generated a significant portion of our revenue from continuing operations from our offline sales network during the Track Record Period. We have established an extensive and well-managed offline sales network consisting of:

- *Self-operated stores.* As of December 31, 2012, 2013 and 2014 and October 31, 2015, we operated 1,471, 1,632, 1,908 and 2,046 self-operated stores located within department stores and shopping malls and at street level, for the sale of durable juvenile products, apparel for babies and children and maternity and baby care products under the Goodbaby Brands, sports apparel and footwear for babies and children under the sports & leisure brands and MBC Products under the Mothercare Brands (through Mothercare-Goodbaby JV);
- *Authorized third-party offline retailers and third-party maternity and childcare specialty stores.* As of December 31, 2012, 2013 and 2014 and October 31, 2015, we engaged a total of 461, 627, 741 and 846 third-party retailers to operate (i) 262, 360, 469 and 497 authorized third-party offline retailers' stores, for the sales of apparel for babies and children under the Goodbaby Brands and products under the sports & leisure brands, and (ii) 323, 601, 985 and 994 third-party maternity and childcare specialty stores, respectively, for the sales of maternity and baby care products under Goodbaby Brands and products under the sports & leisure brands;
- *Supermarkets and hypermarkets.* We sell durable juvenile products and maternity and baby care products under the Goodbaby Brands directly to supermarkets and hypermarkets on a wholesale basis, and we also sell these products through supermarkets and hypermarkets under concession arrangements. As of December 31, 2012, 2013 and 2014 and October 31, 2015, we had sales arrangements with 56, 58, 50 and 50 operators of supermarkets and hypermarkets, respectively;



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- *Offline distributors.* As of December 31, 2012, 2013 and 2014 and October 31, 2015, we had 203, 244, 301 and 351 offline distributors, respectively, for the distribution of maternity and baby care products under the Goodbaby Brands; and
- *Other offline customers,* primarily those who sell infant and baby formula and use our products as promotional gifts.

We continuously optimize our offline sales operations to cater to the evolving needs and preferences of our end-customers. During the Track Record Period, we operated “Mama’s Goodbaby” stores that sold MBC Products under a variety of third-party brands. The Mama’s Goodbaby business comprised its own stores, stores operated by authorized third-party retailers and online sales channels. The “Mama’s Goodbaby” stores were positioned as “MBC Products supermarkets” with a “Big Box” format, and as of December 31, 2014 had an average size of approximately 500 square meters per store and carried over 200 third-party groceries and mass-market brands. These stores sold a wide variety of MBC Products, including substantially third-party branded products such as packaged food, toys, durable products, baby care products, apparel and accessories, most of which were consumable products (such as packaged food and diapers) with relatively low gross profit margins, as well as a small quantity of products under the brands within our brand portfolio (which accounted for less than 11% of the Discontinued Operation’s total revenue during the Track Record Period). These stores also provided services such as baby spa and baby hair cutting. We believe that the business model of the “Mama’s Goodbaby” stores did not fit in our “BOOM” business model that encompasses our differentiated brand strategy and our omni-channel sales platform. As a result, on March 10, 2015, we entered into a sales agreement to dispose of our Mama’s Goodbaby business. Please see “History, Reorganization and Corporate Structure—Reorganization—Acquisition of SGCP by GCCL from Mr. Song and Ms. Fu”, “Financial Information—Description of Selected Line Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income—Discontinued Operation” and Note 13 to “Appendix I—Accountants’ Report” for more information.

In our offline sales network, we sell products under the Goodbaby Brands and the sports & leisure brands through our self-operated stores and stores operated by our offline third-party retailers and distributors. All of the Mothercare Brands products are sold exclusively through stores operated by the Mothercare-Goodbaby JV. We have implemented a number of initiatives to avoid competition among our various offline sales channels:

- *Geographic coverage and sales channels.* When establishing self-operated stores or engaging offline third-party retailers and distributors, we take into consideration their respective geographic coverage and sales channels, in order to ensure that their geographic coverage and sales channels complement, rather than overlap with, each other. For example, Our self-operated stores for Goodbaby Brands are primarily located in cities where our 34 branch offices and three subsidiaries are located, whereas our third-party offline retailers and distributors’ stores are primarily located in other cities. With respect to sports & leisure brands stores, our self-operated stores are primarily located in first- to third-tier cities, whereas our authorized third-party offline retailers’ stores are primarily located in third- to fifth-tier cities. We specify in the distributorship agreements with our offline third-party retailers and distributors their respective distribution areas and channels, and they are not allowed to sell products sourced from us outside of their designated distribution areas or channels;

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- *Product offering.* We offer a wide variety of MBC Products, including (i) apparel for babies and children, durable juvenile products and maternity and baby care products under the Goodbaby Brands, and (ii) sports apparel, footwear and accessories under the sports & leisure brands. Leveraging our extensive product portfolio, we work with our self-operated stores and stores operated by our offline third-party retailers and distributors to tailor their product mix for their respective distribution areas and sales channels and to cater to the demands and preferences of their target end-customers. We actively communicate with our offline third-party retailers and distributors and recommend differentiated products that may be popular among their target end-customers and generate more sales. For example, based on our past experience, end-customers of supermarkets and hypermarkets would be more interested in family value packs whereas many end-customers that visit our authorized third-party offline retailers' stores located in shopping malls prefer higher-end products. As we have the sole discretion of whether to sell a particular product to our offline third-party retailers and distributors, we believe that we can control the product mix of these third-party retailers and distributors; and
- *Suggested retail prices.* We conduct onsite inspections of third-party offline retailers, and distributors' stores at least on a monthly (for large distributors and retailers) or quarterly (for the remaining distributors and retailers) basis, and conduct random spot checks on their stores at least on a quarterly basis, to verify that they follow our suggested retail prices, and that they do not compete against each other by lowering their retail prices. See “—Network Management and Operations—Management of Third-Party Retailers and Distributors—Management of Third-Party Offline Retailers and Distributors.”

We do not impose any minimum purchase requirement for our offline sales channels.

We offer a wide range of MBC Products through our offline sales network, including apparel and footwear for babies and children, durable juvenile products and maternity and baby care products under the Goodbaby Brands and Mothercare Brands and sports apparel, footwear and accessories for babies and children under the sports & leisure brands. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our offline sales network contributed approximately 94.8%, 84.8%, 78.0% and 77.6% of our revenue from continuing operations, respectively.

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### *Self-operated Stores*

We sold products through 1,471, 1,632, 1,908 and 2,046 self-operated stores as of December 31, 2012, 2013 and 2014 and October 31, 2015, respectively. These stores are located within department stores or shopping malls or at street level. As of October 31, 2015, these self-operated stores covered 29 provinces in China. The following map illustrates the geographical coverage of these stores:



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*Note:*

Numbers in the map represent the number of our self-operated stores in the corresponding provinces.

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The following table sets forth the changes in the number of our self-operated stores as of and for the periods indicated:

	As of and for the year ended			As of and for the
	December 31,			ten months ended
	2012	2013	2014	October 31, 2015
<i>Self-operated stores</i>				
At the beginning of the period . . . . .	1,265	1,471	1,632	1,908
Opening of new stores . . . . .	318	337	410	244
Closure of stores . . . . .	112	176	134	106
Net increase in the number of stores. . . . .	206	161	276	138
At the end of the period . . . . .	1,471	1,632	1,908	2,046

In our self-operated stores, we offer products under the Goodbaby Brands and a portfolio of leading international sports & leisure brands. We sell products under the Goodbaby Brands in both mono- and multi-brand stores. We sell products under the sports & leisure brands in mono-brand stores and Kids Stations, which are standalone multi-brand stores offering apparel and footwear products for babies and children under the sports & leisure brands. We opened our first self-operated Kids Station in January 2013 to provide a one-stop shopping destination for babies and children’s apparel and footwear products under international sports & leisure brands. As of December 31, 2013 and 2014 and October 31, 2015, we had 19, 83 and 126 self-operated Kids Stations, respectively. As of October 31, 2015, our self-operated Kids Stations were authorized to offer sports apparel and footwear for babies and children under a portfolio of leading international sports & leisure brands, including Nike, Adidas, Skechers, PUMA, Converse, GEOX, The North Face, Clarks, Reebok and Columbia. We believe that our Kids Stations promote our own Goodbaby brand name since our “gb Kids Station 好孩子星站” logo is displayed at storefront.

In addition, we have established a joint venture with Mothercare UK, Mothercare-Goodbaby JV, to operate Mothercare Brands stores under the authorization of Mothercare UK.

We believe that store location is critical to the success of our operations and brand image. Over the years, we have accumulated valuable experience in identifying and evaluating prospective store locations. We continuously look for attractive locations for the expansion of our offline sales network and consider and evaluate the following criteria when selecting locations to open stores:

- estimated profitability and the time required to break even;
- local demographics;
- geographic coverage of the location and available lettable area;

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- financial condition and sustainability of the relevant department store or shopping mall; and
- geographic scope of the authorization from the relevant brand company.

We plan to open 455 self-operated stores in 2016. We believe that there is sufficient market demand to support this planned increase in the number of self-operated stores in light of China's continued economic growth, rising disposable income, rising demand for safe and authentic MBC Products and favorable population policies, among other factors. We believe that our experienced management and highly qualified workforce, localized operational management system, advanced logistics and distribution infrastructure and extensive experience in store management has well positioned us to manage the planned expansion of self-operated stores in 2016, and we plan to implement a number of measures to support our expansion plan, such as strengthening our cooperation with the brand companies, enhancing our logistics management and fulfillment infrastructure and furthering the integration of our online and offline sales network. See “—Network Management and Operations—Expansion Plan of Sales Channels.”

We believe that our self-operated stores opening in 2016 will continue to offer attractive economics. However, it takes time for our future stores to break even and achieve the same level of profitability comparable to our existing stores. Consistent with our existing self-operated stores, each of our stores opening in 2016 is expected to reach the “breakeven point” approximately three to 12 months from its launch, and to reach the “investment payback point” approximately one to two years from its launch. See “—Network Management and Operations—Store Management—Store Economics.” The exact time it takes for a future self-operated store to achieve the “breakeven point” or the “investment payback point” is affected by various factors, including, among others, changes in consumption patterns and consumer demand, local competition, store location and the brands it carries. If our future stores experience prolonged delays in breaking even or achieving desired level of profitability, our overall performance and profitability may be adversely affected. The continuous expansion of our network of self-operated stores also exposes us to a number of risks. For example, we may be unable to recruit, train and retain a sufficient number of qualified personnel with sufficient experience to operate our new stores. See “Risk Factors—Risks Relating to Our Business and Industry—We may not be able to successfully expand our offline sales network by increasing the number of self-operated stores” and “—We may not be able to effectively manage the growth of self-operated stores.”

We operate our self-operated stores under either concession arrangements or lease arrangements.

### *Self-operated stores under concession arrangements*

Our primary offline sales channel is self-operated stores that we operate under concession arrangements. These stores are primarily located within department stores and, to a lesser extent, shopping malls.

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The following table sets forth the changes in the number of our self-operated stores located within department stores and shopping malls that we operated under concession arrangements as of and for the periods indicated:

	As of and for the year ended			As of and for the
	December 31,			ten months ended
	2012	2013	2014	October 31,
	2012	2013	2014	2015
<b><i>Self-operated stores under concession arrangements</i></b>				
At the beginning of the period . . . . .	1,247	1,427	1,555	1,786
Opening of new stores . . . . .	292	302	358	236
Closure of stores . . . . .	112	174	127	100
Net increase in the number of stores. . . . .	180	128	231	136
At the end of the period . . . . .	1,427	1,555	1,786	1,922

The changes in the number of our self-operated stores located within department stores and shopping malls that we operated under concession arrangements during the Track Record Period were mainly due to (i) the opening of new stores as we continued to expand our brand and product offerings and geographic coverage, and (ii) the closing of underperforming stores. In addition, a small number of stores were closed for remodeling.

By operating stores in department stores and shopping malls we are able to increase our offline visibility and benefit from the well-established customer traffic, reputation and marketing campaigns of the department stores and shopping malls in which these stores are located.

We enter into concession agreements with the department stores and shopping malls with respect to those of our self-operated stores that are operated under concession arrangements. The key terms of these concession agreements typically include:

- *Duration:* The majority of the concession agreements are for a one-year term, renewable upon mutual agreement.
- *Concession fee:* We generally pay the department stores or shopping malls a monthly concession fee, which is calculated as a percentage of the monthly revenue that our self-operated stores generate.
- *Collection of sales proceeds:* Sales proceeds from our self-operated stores are collected by the respective department stores or shopping malls. We invoice and collect sales proceeds from each department store or shopping mall on a monthly basis, based on the sales proceeds from end-customers after deduction of the concession fees and promotion costs, property management fees, utilities and other applicable fees and expenses charged by the department stores or shopping malls.

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- *Title transfer and revenue recognition:* Title to the products and legal risks are passed and the sales are recognized as revenue when we sell the products to our end-customers.
- *Termination:* These concession agreements may be terminated by either party upon the occurrence of certain specific events, such as bankruptcy and insolvency of the counterparty.

In 2012, 2013 and 2014 and the ten months ended October 31, 2015, we paid concession fees of RMB212.2 million, RMB241.3 million, RMB293.5 million and RMB306.4 million, respectively, accounting for 11.0%, 10.4%, 9.6% and 10.2% of our revenue from continuing operations, respectively.

### *Self-operated stores under lease arrangements*

We also use lease arrangements to operate some of our mono-brand and multi-brand self-operated stores. These stores are located within shopping malls or are standalone stores at street level. The following table sets forth the changes in the number of our self-operated stores under lease arrangements as of and for the periods indicated:

	As of and for the year ended			As of and for the
	December 31,			ten months ended
	2012	2013	2014	October 31,
	2012	2013	2014	2015
<i>Self-operated stores under lease arrangements</i>				
At the beginning of the period . . . . .	18	44	77	122
Opening of new stores . . . . .	26	35	52	8
Closure of stores . . . . .	—	2	7	6
Net increase in the number of stores. . . . .	26	33	45	2
At the end of the period . . . . .	44	77	122	124

The number of our self-operated stores under lease arrangements increased during the Track Record Period primarily because we continued to open new stores in shopping malls to increase our market penetration.

We enter into lease agreements with the shopping malls or the landlords of street-level stores, which typically contain the following key terms:

- *Duration:* One to eight years, renewable upon mutual agreement.
- *Rental and property management fees:* Our self-operated stores in shopping malls and at street level pay flat rental amounts or rental amounts that take into consideration their monthly sales.



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- *Title transfer and revenue recognition:* Title to the products and legal risks are passed, and the sales are recognized as revenue, when the products are sold to the end-customers.
- *Termination:* The lease agreements may be terminated by either party if the other party fails to perform any of its obligations under the lease agreement and fails to rectify that breach within a prescribed time-period.

In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our rental and property management fees incurred amounted to RMB46.7 million, RMB65.0 million, RMB92.4 million and RMB86.3 million, respectively, accounting for 2.4%, 2.8%, 3.0% and 2.9% of our revenue from continuing operations, respectively.

### *Authorized Third-party Offline Retailers and Third-party Maternity and Childcare Specialty Stores*

We engage third-party retailers to sell apparel for babies and children and maternity and childcare products under the Goodbaby Brands and babies and children's sports shoes under the sports & leisure brands in (i) stores operated by authorized third-party offline retailers and (ii) third-party maternity and childcare specialty stores. As of December 31, 2012, 2013 and 2014 and October 31, 2015, the total number of these third-party retailers were 461, 627, 741 and 846, respectively.

#### *Authorized Third-Party Offline Retailers*

We engage authorized third-party offline retailers to sell apparel for babies and children under the Goodbaby Brands. We also engage authorized third-party offline retailers to sell products under the sports & leisure brands in the form of mono-brand stores and Kids Stations. The first Kids Station operated by our authorized third-party retailers was opened in January 2013. As of December 31, 2013 and 2014 and October 31, 2015, we had 41, 86 and 129 Kids Stations operated by our authorized third-party offline retailers, respectively. Stores of our authorized third-party offline retailers offer products exclusively sourced from us. The following table sets forth the changes in the number of stores operated by our authorized third-party offline retailers as of and for the periods indicated:

	As of and for the year ended December 31,			As of and for the ten months ended October 31,
	2012	2013	2014	2015
<i>Stores operated by authorized third-party offline retailers</i>				
At the beginning of the period . . . . .	257	262	360	469
Addition of new stores . . . . .	36	143	162	109
Termination of stores . . . . .	31	45	53	81
Net increase (decrease) in the number of stores.	5	98	109	28
At the end of the period . . . . .	262	360	469	497

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Changes in the number of our authorized third-party offline retailers' stores during the Track Record Period were mainly due to the addition of new authorized third-party offline retailers as we continuously expanded our offline sales network, partially offset by the termination of underperforming authorized third-party offline retailers.

Our authorized third-party offline retailers purchase products from us as principal and on-sell these products through their stores to end-customers based on our pricing guidelines. We recognize revenue from the sale of products to these authorized third-party offline retailers upon delivery to them. Our use of authorized third-party offline retailers enables us to increase the exposure of the brands we offer and to increase our sales without incurring significant investment costs and inventory risks associated with self-operated stores. Benefiting from the local expertise of our authorized third-party offline retailers, this sales format also enables us to expand our geographic coverage throughout China and diversifies our revenue streams. Based on our industry knowledge, we believe that the use of authorized third-party offline retailers is in line with the industry practice.

In order to provide our end-customers with a consistent shopping experience, stores operated by our authorized third-party offline retailers follow our standardized store design, storefront presentation, procurement and sales activities, facilities and promotional materials. We closely supervise the operations of these stores, including their sales activities, order management, inventory management, customer relationship management and after-sales services through scheduled and unannounced inspections to verify their compliance with our operating policies and guidelines.

We select, authorize and manage our authorized third-party offline retailers at our headquarters level based on recommendation of our branch offices. We select our authorized third-party offline retailers primarily based on the following criteria:

- industry experience, credibility and financial condition;
- geographic coverage of sales network;
- professional sales team;
- branding and marketing capabilities;
- transportation and logistics capabilities; and
- customer services capabilities.

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We generally use standardized one-year distributorship agreements with our authorized third-party offline retailers. These distributorship agreements specify a variety of terms including the designated sales area, pricing policies and sales targets. The distributorship agreements include the following principal terms:

- *Duration:* One year, renewable upon mutual agreement.
- *Designated sales area:* Each authorized third-party offline retailer can only sell the products they source from us within a designated geographical area. Our authorized third-party offline retailers may not relocate their stores without our prior written consent.
- *Exclusivity:* Our authorized third-party offline retailers are prohibited from selling products under other brands without our prior written consent.
- *Deposit:* Each authorized third-party offline retailer pays us a deposit upon entering into the distributorship agreement and opening of new stores to ensure its compliance with the terms of the distributorship agreement.
- *Sales targets and incentive scheme:* Except for the products under certain sports & leisure brands, we set quarterly sales targets for our authorized third-party offline retailers. For maternity and baby care products under the Goodbaby Brands, we provide sales rebates to our authorized third-party offline retailers as incentives when their purchases from us reach or exceed threshold amounts. We also pay our authorized third-party offline retailers subsidies to support their marketing campaigns and opening of new stores if they achieve certain performance targets.
- *Resale price management:* Our authorized third-party offline retailers follow suggested retail prices for the sale of the products they source from us.
- *Store management:* Our authorized third-party offline retailers' stores adopt our standardized product display, store layout, staff uniform and marketing brochures to build a consistent brand image. Some of our authorized third-party offline retailers' stores, such as those for the sports & leisure brands, are equipped with POS terminals that are connected to our integrated information technology system, enabling us to perform sales and inventory tracking and reporting across these stores on a real-time basis. In addition, our authorized third-party offline retailers meet with us at least on a quarterly basis to report the sales performance of their stores. We are entitled to suspend product supply if they fail to comply with our operating guidelines, or to terminate the distributorship agreements in severe circumstances.
- *Delivery and revenue recognition:* We recognize revenue from the sale of products to our authorized third-party offline retailers upon delivery of the products to them. Deliveries are handled by third-party logistics service providers and delivery costs are borne by our authorized third-party offline retailers or us, depending on the brand and the size of the order.

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- *Credit and payment terms:* We do not provide credit terms to our authorized third-party online retailers. Our sales to our authorized third-party offline retailers are generally settled in RMB via wire transfers.
- *Return and exchange:* Subject to our approval, our authorized third-party offline retailers are allowed to return defective products they purchase from us.
- *Intellectual property:* Our authorized third-party offline retailers are prohibited from making unauthorized use of our intellectual property or that of the brand companies. Our authorized third-party offline retailers may only use our trademarks for the promotion of products they source from us and upon our prior written consent.
- *Termination:* We can terminate these agreements if our authorized third-party offline retailers fail to perform any of their obligations under the agreements.

None of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the Offer Shares) had any interest in any of our authorized third-party offline retailers during the Track Record Period.

### *Third-Party Maternity and Childcare Specialty Stores*

We sell babies' and children's shoes under the sports & leisure brands to third-party maternity and childcare specialty stores, who display them on their Children's Sports Shoes Walls (寶寶鞋牆) for sale to end-customers. In addition, we sell maternity and babycare products under the Goodbaby Brands to third-party maternity and childcare specialty stores. These third-party maternity and childcare specialty stores purchase products from us as principal and we exercise limited control over their sales of these products. These third-party maternity and childcare specialty stores offer products sourced from various MBC Product suppliers, including us.

We generally use standardized one-year distributorship agreements with third-party maternity and childcare specialty stores. Pursuant to the distributorship agreements, operators of third-party maternity and childcare specialty stores can only sell the products they source from us within these stores. These stores follow suggested retail prices for the distribution of the products they source from us. We do not grant any credit terms to third-party maternity and childcare specialty stores. We recognize revenue from sales to third-party maternity and childcare specialty stores upon delivery of the products to them. Subject to our approval, third-party maternity and childcare specialty stores are allowed to return defective products they purchase from us.

As of December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2015, we had sales arrangements with 323, 601, 985 and 994 third-party maternity and childcare specialty stores, respectively. We believe that our distribution to third-party maternity and childcare specialty stores enables us to increase our sales network coverage and geographical penetration.

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The following table sets forth the changes in the number of third-party maternity and childcare specialty stores as of and for the periods indicated:

	As of and for the year ended December 31,			As of and for the ten months ended October 31,
	2012	2013	2014	2015
<b><i>Third-party Maternity and Childcare</i></b>				
<b><i>Specialty Stores</i></b>				
As of the beginning of the period . . . . .	258	323	601	985
Addition of new stores . . . . .	126	342	529	67
Termination of stores . . . . .	61	64	145	58
Net increase in the number of stores . . . . .	65	278	384	9
As of period-end . . . . .	323	601	985	994

The increases in the number of third-party maternity and childcare specialty stores we had sales arrangements with during the Track Record Period were mainly due to the addition of new third-party maternity and childcare specialty stores as we continuously expanded our offline sales network, and was partially offset by our termination of certain underperforming stores. In particular, we began to expand our network of third-party maternity and childcare specialty stores that contained Children's Sports Shoes Walls (寶寶鞋牆) since 2013. As we gain more experience in these types of stores, we have since 2014 terminated a number of underperforming stores that contained Children's Sports Shoes Walls (寶寶鞋牆), in an effort to optimize and streamline our offline sales network.

### ***Supermarkets and Hypermarkets***

We sell durable juvenile products and maternity and baby care products under the Goodbaby Brands directly to supermarkets and hypermarkets on a wholesale basis. We also sell these products through supermarkets and hypermarkets under concession arrangements. As of December 31, 2012, 2013 and 2014 and October 31, 2015, we had sales arrangements with 56, 58, 50 and 50 operators of supermarkets and hypermarket chains, respectively.

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The following table sets forth the changes in the number of operators of supermarkets and hypermarkets we had sales arrangements with as of and for the periods indicated:

	As of and for the year ended December 31,				As of and for the ten months ended October 31,
	2012	2013	2014	2015	2015
	<b><i>Operators of supermarkets and hypermarkets</i></b>				
As of the beginning of the period . . . . .	65	56	58	50	
Addition of new operators . . . . .	1	11	1	1	
Termination of operators . . . . .	10	9	9	1	
Net increase (decrease) in the number of operators . . . . .	(9)	2	(8)	—	
As of period-end . . . . .	56	58	50	50	

China's economic growth has slowed down since 2013. The resulting adverse macro-economic conditions have adversely affected supermarkets and hypermarkets' retail business in general, including the sales of MBC Products in supermarkets and hypermarkets. As a result, the number of operators of supermarkets and hypermarkets that we had sales arrangements with has decreased since 2013.

As compared to our other retail sales channels, sales of MBC Products in supermarkets and hypermarkets were more susceptible to adverse macro-economic conditions due to the following reasons:

- Supermarkets and hypermarkets offer a variety of food and household products and typically have large and dispersed customer bases. The adverse general macro-economic conditions discouraged consumer spending in general, which has led to a slowdown in the growth in per-customer sales in supermarkets and hypermarkets, as well as the ceasing of operation of certain supermarkets and hypermarkets, causing a slowdown in the growth in sales, including sales of MBC Products, in supermarkets and hypermarkets. In comparison, our other sales channels, such as self-operated stores, authorized third-party retailers' stores and third-party maternity and childcare specialty stores, are focused primarily on the sales of MBC Products and target a much more selective group of end-customers, primarily parents who have ongoing needs for MBC Products to raise their babies and children. As a result, the per-customer sales and total sales of these sales channels were less affected compared to that of supermarkets and hypermarkets; and
- As compared to our other sales channels, such as self-operated stores and authorized third-party offline retailers' stores, where we have the flexibility to launch a wide range of promotional and sales events and build up our brand image more effectively, we have limited control over the sales and promotional activities of supermarkets and hypermarkets that carry our product, as these activities are generally implemented by their operators. As a result, it is typically and comparatively more effective for us to increase promotion and sales of our products in channels other than supermarkets and hypermarkets.

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*Sales to supermarkets and hypermarkets.* We sell products under the Goodbaby Brands directly to supermarkets and hypermarkets on a wholesale basis. Under these arrangements, supermarkets and hypermarkets purchase products from us as principal and we exercise only limited control over their sale of these products. We recognize revenue from sales to supermarkets and hypermarkets on a wholesale basis upon delivery of the products to them. We generally grant credit terms of up to 60 days to supermarkets and hypermarkets. Operators of supermarkets and hypermarkets are generally allowed to return or exchange defective products. We track product sales and inventory levels of the products each operator of the supermarkets and hypermarkets sources from us in real-time through its back-end system generally on a daily basis.

*Concession arrangements with supermarkets and hypermarkets.* In addition to our sales to supermarkets and hypermarkets, we also sell durable juvenile products and maternity and baby care products under the Goodbaby Brands through supermarkets and hypermarkets pursuant to concession agreements with them. The key terms of these concession agreements typically include:

- *Duration:* The majority of the concession agreements are for a one-year term, renewable upon mutual agreement.
- *Concession fee:* We generally pay the supermarkets and hypermarkets a monthly concession fee, which is calculated as a percentage of the monthly sales that we generate from sales through the relevant supermarkets or hypermarkets.
- *Collection of sales proceeds:* Sales proceeds are collected by the relevant supermarkets or hypermarkets. We invoice and collect sales proceeds from each supermarket or hypermarket on a monthly basis, based on the sales proceeds from end-customers after deduction of the concession fees and promotion costs, utilities and other applicable fees and expenses charged by the supermarkets or hypermarkets.
- *Title transfer and revenue recognition:* Title to the products and legal risks are passed and the sales are recognized as revenue when we sell the products to our end-customers.
- *Termination:* These concession agreements may be terminated by either party upon the occurrence of certain specific events, such as bankruptcy and insolvency of the counterparty.

We believe that our distribution to and through supermarkets and hypermarkets, which generally have broad retail networks, enables us to increase our sales network coverage and geographical penetration.



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### *Offline Distributors*

We sell maternity and baby care products under the Goodbaby Brands to offline distributors on a wholesale basis in order to enhance our market penetration. These offline distributors purchase products from us as principal and on-sell them to end-customers directly or through their sub-distributors or retailers. The following table sets forth the changes in the number of offline distributors as of and for the periods indicated:

	As of and for the year ended			As of and for the
	December 31,			ten months ended
	2012	2013	2014	October 31,
	2012	2013	2014	2015
<i>Offline Distributors</i>				
At the beginning of the period . . . . .	165	203	244	301
Addition of new offline distributors . . . . .	50	59	86	50
Termination of offline distributors . . . . .	12	18	29	—
Net increase in the number of offline distributors . . . . .	38	41	57	50
At the end of the period . . . . .	203	244	301	351

The increases in the number of our offline distributors during the Track Record Period were mainly due to the addition of new offline distributors as we continuously expanded our offline sales network, partially offset by the termination of underperforming offline distributors as we continued to optimize and streamline our offline distributor network.

We generally use standardized one-year distributorship agreements with these offline distributors, which specify a variety of terms including the designated distribution areas and channels, pricing policies and sales targets. The distributorship agreements include the following principal terms:

- *Duration:* One year.
- *Designated distribution area and channel:* Each of our offline distributors is authorized to distribute the products they source from us only within designated geographical areas and channels.
- *Sales targets and incentive scheme:* We designate monthly, quarterly and/or annual sales targets for each offline distributor and provide sales rebates to our offline distributors as incentives when their purchases from us reach or exceed these sales targets. These sales rebates are deducted from the purchase price payable by the offline distributors. We can terminate the distributorship agreement if the offline distributor fails to achieve its monthly sales targets for three consecutive months.

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- *Resale price management:* Our offline distributors follow, and procure their sub-distributors (if applicable) or retailers to follow, suggested retail prices for the distribution of the products they source from us.
- *Distributor management:* We generally expect our offline distributors to maintain up to three months' inventory, depending on the types of products they source from us. We perform spot checks on our offline distributors' warehouses at least quarterly to prevent the accumulation of excessive inventory. We may impose fines on our offline distributors if they fail to comply with our operating guidelines, or terminate the distributorship agreements in severe circumstances.
- *Management of sub-distributors or retailers:* Our offline distributors are responsible for managing their sub-distributors (if applicable) and retailers and ensuring that they comply with our operating guidelines on suggested retail prices and designated distribution areas and channels. We may impose fines on our offline distributors if their sub-distributors or retailers fail to comply with our operating guidelines.
- *Delivery and revenue recognition:* We recognize revenue from the sale of products to our offline distributors upon delivery of the products to them. Deliveries are handled by third-party logistics service providers, and delivery costs are borne by our offline distributors or us, depending on the size of the order.
- *Credit and payment terms:* We generally do not grant any credit terms to our offline distributors. We may, at our sole discretion, grant credit terms to our offline distributors of up to 30 days in anticipation of particular events to support the sales of these offline distributors. Our sales to offline distributors are generally settled in RMB via wire transfers or bank acceptance bills.
- *Return and exchange:* Subject to our approval, our offline distributors are allowed to return or exchange defective products they purchase from us. Our offline distributors are responsible for the after-sale services of the products they source from us.
- *Intellectual property:* Our offline distributors are prohibited from making unauthorized use of our trademarks, trade secrets and other intellectual property rights. Our offline distributors may only use our trademarks for the promotion of the products they source from us and upon our prior written consent.
- *Termination:* These agreements are terminable by either party if the other party fails to perform any of its obligations under the agreement and fails to rectify that breach within a prescribed time-period.

None of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the Offer Shares) had any interest in any of our offline distributors during the Track Record Period.

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### *Other Offline Customers*

We sell durable juvenile products and maternity and babycare products under the Goodbaby Brands to other offline customers, primarily those who sell infant and baby formula. As these offline customers use the products they source from us exclusively as promotional gifts to their end-customers as part of their sales and marketing programs, we consider them to be our end-customers (as opposed to third-party retailers or distributors).

## **NETWORK MANAGEMENT AND OPERATIONS**

### **Our Sales Network Management Structure**

Our omni-sales network is managed by our headquarters in Kunshan, Jiangsu province together with our branch offices and subsidiaries.

### *Headquarters' Product Divisions*

We have separate product divisions at our headquarters responsible for the management of our omni-channel sales platform, including divisions dedicated to products under the Goodbaby Brands and the sports & leisure brands. We also have a subsidiary in Nantong responsible for the management of home and bedding products for babies and children under the Goodbaby Brands. Our headquarters' product divisions are responsible for the management of our omni-channel sales platform from the perspective of individual product categories.

### *Sales Channel Management*

Our headquarters' e-commerce department is responsible for the strategic planning and daily operations of our online sales network. In addition, our headquarters' legal department and online distribution department closely monitor the operations of our authorized third-party online retailers and online key accounts to verify their compliance with our suggested retail prices.

Our offline sales network is supervised and managed by our headquarters' department of branch offices and subsidiaries management. Our headquarters also have a distribution channel management department that formulates strategic plans for our offline sales channels and supervises our branch offices' implementation of these plans. Our distribution channel management department is also responsible for the management of our offline third-party retailers and distributors and the operations of our stores. At the local level, our branch offices supervise the day-to-day operation of our offline sales network, including the management of our offline third-party retailers and distributors.

### **Management of Self-Operated Online Retail Sales**

We have formulated detailed policies and guidelines for various aspects of our self-operated online retail sales, including standardized operating procedures, warehousing and logistics operations and staff training. In addition, we regularly communicate with the third-party online platforms we collaborate with to keep pace with industry trends and to offer products that best address our end-customers' evolving needs and preferences.

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### Store Management

We strive to maintain a unified image nationwide and provide our end-customers with consistent shopping experience across our self-operated stores and those operated by our authorized third-party offline retailers.

### *Design and Product Display*

#### *Stores for the Goodbaby Brands and Sports & Leisure Brands*

*Stores for the Goodbaby Brands.* We use standardized store design, storefront presentation, purchasing and sales activities, facilities and promotional materials for stores for the Goodbaby Brands, including our self-operated stores and those operated by our authorized third-party offline retailers. The product display in these stores varies depending on their sales performance, size and location. In addition, we provide regular training on product layout and customer services to the staff of these stores.

The following pictures illustrate our stores for Goodbaby Brands:



*Stores for sports & leisure brands.* Our stores for sports & leisure brands adopt standardized interior designs, product display and facilities adhering to the guidelines of the relevant sports & leisure brands, while the products that are on display vary depending on the size and store format of the relevant store. Our Kids Stations display the logos of both the relevant sports & leisure brands and our “gb Kids Station 好孩子e家” logo at the storefront.

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The following pictures illustrate our Kids Stations:



### *Operations and Staffing*

Each of our self-operated stores and our authorized third-party offline retailers' stores is staffed with a manager who is responsible for its day-to-day management and operations. The number of sales attendants per store differs from store to store depending on the size, store format and sales level. All of our self-operated stores' staff are employed by our branch offices while the staff of our authorized third-party offline retailers' stores are employed by the authorized third-party offline retailers.

We believe that the performance of store staff is critical for the efficient operation of our stores and the provision of outstanding customer service. Accordingly, we place great emphasis on the training and development of store staff, and we provide in-house training programs on customer service, customer relationship management, sales skills and safety procedures. Furthermore, we require store staff to follow our service guidelines, such as how to greet customers, answer commonly-asked questions and handle customer complaints. Our brand companies also provide training to our branch offices without charge, with an emphasis on product knowledge, product display techniques and product handling procedures.

All of our self-operated stores and some of the stores operated by our authorized third-party offline retailers are equipped with POS terminals that are connected to our integrated information technology system, enabling us to perform sales and inventory tracking and reporting across these stores on a real-time basis. As of October 31, 2015, 369 stores operated by our authorized third-party offline retailers were equipped with our POS terminals.

The operating hours of our stores vary depending on location and the shopping habits of the local end-customers, but in general are between 9:00 a.m. and 10:00 p.m., seven days a week.

### *Store Economics*

We believe that our self-operated stores offer attractive economics. The amount of time it takes for a self-operated store to achieve the "breakeven point" or the "investment payback point" is affected by various factors, including, among others, changes in consumption patterns and consumer demand, local competition, the size, location, brands, operating history of the store and the brands it carries. As a result, the amount of time required for a self-operated store to achieve the "breakeven point" or "investment payback point" varies substantially from store to store and over time.

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During the Track Record Period, it generally took a self-operated store:

- a. approximately three to 12 months to reach the “breakeven point” (being the first point in time at which its monthly operating revenue is at least equal to its monthly operating expenses such as concession fees, rental, staff costs, department store and shopping mall charges, tax and depreciation expenses); and
- b. approximately one to two years to reach the “investment payback point” (being the first point in time at which the accumulated net profit of the store is at least equal to the costs of opening and operating the store, including any incurred capital expenditure and accumulated ongoing operating expenses, such as initial inventory costs, concession fees, rental, staff costs, department store and shopping mall charges and tax).

### **Management of Third-Party Retailers and Distributors**

We have formulated detailed distribution policies and guidelines that apply to all of our third-party retailers and distributors, including our online key accounts, authorized third-party online retailers, authorized third-party offline retailers, third-party maternity and childcare specialty stores, supermarkets and hypermarkets and offline distributors. These policies and guidelines apply to various aspects of the sales activities of our third-party retailers and distributors, such as pricing, designated sales channels and areas. Our third-party retailers and distributors are also liable for breaches of their distributorship/sales agreements with us, and are obligated to indemnify us for breaches.

We supervise and monitor the operations of our third-party retailers and distributors through a variety of measures to check whether they are in compliance with our operating guidelines and the terms and conditions of their distributorship agreements:

### ***Management of Third-Party Online Retailers and Distributors***

We visit our online key accounts’ retail platforms and authorized third-party online retailers’ online stores on a daily basis to check whether our online key accounts and authorized third-party online retailers follow our suggested retail prices and other operating guidelines.

We are able to track the sales and inventory levels of our products on all of our online key accounts’ retail platforms in real-time by accessing their back-end systems on a daily basis. We regularly communicate with authorized third-party online retailers and visit their online stores on third-party online platforms such as Tmall on a daily basis to collect the sales data for the products they source from us, such as the monthly sales volume and retail prices of these products in these online stores, which are data either publicly available or data collected by the sales platform and made available to us by the relevant third-party online retailers and distributors. We are able to calculate each authorized third-party online retailer’s inventory levels based on the amount of products it sources from us and the monthly sales volume of these products we collect from its online store on third-party online platforms. Generally, we work with our online key accounts and authorized third-party online retailers to help them maintain approximately 30 days of inventory.



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### *Management of Third-Party Offline Retailers and Distributors*

*Scheduled and unannounced onsite inspections.* Our branch offices conduct onsite inspections of third-party offline retailers and distributors' stores and warehouses at least on a monthly (for third-party offline retailers and distributors with relatively large historical product purchase amounts, typically those with annual purchases exceeding RMB1 million) or quarterly (for the remaining third-party offline retailers and distributors) basis, to check whether their sales activities, including retail policies, sales area, storage condition, logistics facilities and staff quality are in compliance with our operating guidelines and to track their inventory levels. In addition, our staff conduct random spot checks on third-party offline retailers and distributors' stores and warehouses at least quarterly to evaluate their sales activities and identify any violation of or noncompliance with our operating guidelines.

*Face-to-face meetings and POS terminals.* Our authorized third-party offline retailers meet with us at least on a quarterly basis to report the sales performance of their stores. In addition, some of our authorized third-party offline retailers' stores are equipped with POS terminals that are connected to our integrated information technology system, enabling us to perform sales and inventory tracking and reporting across these stores on a real-time basis. As of October 31, 2015, 369 stores operated by our authorized third-party offline retailers were equipped with our POS terminals.

*Access to back-end systems.* We track product sales and inventory levels of the products each operator of the supermarkets and hypermarkets sources from us in real-time by accessing its back-end system generally on a daily basis.

If we discover any non-compliance through the above procedures, we require the relevant third-party retailer or distributor to cease the non-compliant activities within a specified period of time. We may impose penalties on underperforming third-party retailer or distributors or those who violate our policies or their distributorship agreements with us, including fines, temporary suspension of product supply and in severe circumstances, termination of the distributorship agreements. We generally do not grant any credit terms to our third-party retailers or distributors. We may, at our sole discretion, grant credit terms to our offline distributors of up to 30 days in anticipation of particular events to support the sales of these offline distributors. These procedures, combined with our general no-return-or-exchange-unless-defective policies, help us to ensure that sales to our third-party retailers and distributors reflect genuine market demand and mitigate risks of inventory accumulation in our online and offline sales network.

We support our third-party retailers and distributors with their merchandising and sales and marketing. For example, we continuously optimize our sales strategies to adapt to changing market dynamics based on market intelligence that we collect through our online and offline sales network and provide guidance to our third-party retailers and distributors accordingly. We also provide regular training to the staff of our third-party retailers and distributors and advise them on matters such as store decoration and product layout during our on-site visits. We believe that this assistance nurtures mutually beneficial and long-term relationships with our third-party retailers and distributors.



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During the Track Record Period and as of the Latest Practicable Date, we were not aware of any of our third-party retailers or distributors committing any material breach of their respective distributorship agreements or violating our policies relating to sales channel/area or pricing.

We evaluate the performance of our third-party retailers and distributors on an annual basis, based primarily on the following factors:

- maintenance of creditworthiness;
- operating status and industry knowledge;
- quality of internal management;
- development and expansion of sales network;
- improvements in warehousing facilities and delivery capabilities;
- improvements in operating and business management capabilities;
- management of customer relationship; and
- improvements in overall sales performance.

We normally renew the relevant distributorship agreements with our third-party retailers or distributors who pass our performance valuation. We continue to streamline our network of third-party retailers and distributors and terminated a small number of third-party retailers and distributors who did not achieve our sales targets or failed to comply with our operating guidelines during the Track Record Period. Some of these third-party retailers or distributors become retailers or sub-distributors of our third-party distributors and continue to sell our products. For those who no longer plan to sell our products, we typically grant them grace period of up to three months to sell the unsold products, depending on their inventory levels. We do not accept any return of unsold products from these third-party retailers or distributors.

In addition to these policies, guidelines and contractual obligations, our authorized third-party offline retailers' stores follow standardized interior designs, product display and facilities prescribed by us or the relevant sports & leisure brand companies. See “—Store Management.”

### **Expansion Plan of Sales Channels**

We seek to engage additional online key accounts and authorized third-party online retailers to complement our existing online sales channels to increase our customer reach and increase online sales and visibility. For our existing online key accounts and authorized third-party online retailers, we plan to focus on improving their sales performance through e-commerce training, enhanced marketing efforts and other value-added services.

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We plan to prudently expand our offline sales network by increasing both the number of our self-operated stores and the number of our authorized third-party offline retailers' stores, while increasing the proportion of our authorized third-party offline retailers' stores over time. We intend to continuously identify attractive locations for the expansion of our self-operated offline sales network, focusing on opening self-operated stores in shopping malls and at street level. For the existing stores operated by us or our authorized third-party offline retailers, we plan to focus on improving their sales performance through enhanced marketing efforts and additional value-added customer services. From November 1, 2015 to December 31, 2016, we have opened or plan to open an aggregate of approximately 539 new self-operated stores. See “Financial Information—Liquidity and Capital Resources—Capital Expenditures.”

We believe that there is sufficient market demand to support the increase in the number of our self-operated stores: (i) driven by China's economic growth, rising disposable income, continued urbanization and rising demand for consumer products, demand for MBC Products in China is expected to continue to grow significantly over the next few years. In December 2015, the Chinese government amended the Population and Family Planning Law of the People's Republic of China (中華人民共和國人口與計劃生育法), and these amendments came into effect on January 1, 2016, abolishing the decades-long one-child policy, allowing all couples to have two children. It is expected to increase the growth in the number of 0-14 year-old children in China in the next few years. The MBC Product retail market in China is forecast to grow at a CAGR of 14.4% from 2014 to 2019, according to Frost & Sullivan. According to the same source, the MBC Product retail market is also highly competitive and fragmented, with the five largest players accounting for an aggregate of 7.8% of market share in terms of retail sales value in 2014, indicating substantial room for future growth for retail platforms that offer safe and high-quality products from reputable brands. See “Industry Overview—Overview of China's MBC Product Retail Market”; (ii) as Chinese parents have increasingly recognized the importance of the safety and quality of MBC Products, we believe that retail platforms that provide safe and authentic MBC Products from reputable international and domestic brands, such as our omni-channel sales platform, will continue to gain customer trust and loyalty and benefit from the strong consumer demand; and (iii) leveraging our O2O initiatives such as mamahao (媽媽好), our self-operated stores may now fulfill orders placed on mamahao (媽媽好), and offer products beyond their physical inventory, which increases their product sales and broadens their customer reach. We believe the favorable industry outlook, evolving consumer needs and preferences and our ongoing O2O initiatives will continue to support the expansion of our self-operated store network.

With respect to the geographic distribution of these stores, we plan to open new stores where there is potential market demand, including more economically developed provinces such as Beijing, Shandong, Jiangsu, Shanghai, Zhejiang and Guangdong, where we already have a market presence, because: (i) the development of our recently launched sales format, such as Kids Station and Goodbaby e-Family, is still in its early stage, and we will leverage the further development of these new sales format to deepen our market penetration in a particular market and generate sales, (ii) our market-leading positions in more developed cities and regions in these provinces have well positioned us to expand into neighboring lower-tier cities where there is substantial demand for MBC Products, and (iii) the MBC Product retail market in China is very fragmented, and we believe there is substantial potential for us to increase our market penetration in these more developed markets, such as opening up stores in newly opened shopping malls in prime locations.

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To effectively manage the growth of our self-operated store network, we plan to strengthen our cooperation with the brand companies, enhance our advance ordering processes to support our expansion plan, improve logistics management for our product procurement, regularly evaluate our OEM contractors' performances through a number of parameters, continue to provide on-the-job training to our personnel, promote the professional skills of our sales management teams, continue to implement incentive measures for our sales teams, improve standardized operating procedures for our stores, continue to invest in the integration of our online and offline sales network, strengthen our order-fulfillment infrastructure, conduct nationwide and regional marketing campaigns, improve customer services and promote customers' stickiness (including through our mobile application, mamahao (媽媽好)). The number of our self-operated stores have experienced steady growth in the past few years, a trend we expect to continue in the near future along with the continuous expansion of our business. We believe that our experienced management and team of highly qualified employees, our localized operational management system, our advanced logistics and distribution infrastructure, combined with extensive experience from our successful operation of a large number of self-operated stores nationwide, have positioned us to manage our planned expansion of self-operated stores in the foreseeable future.

### **Cash Management**

We accept cash payments at our self-operated stores. We follow strict internal control procedures for handling cash, including the following:

- Each store is equipped with a POS terminal, which is directly connected to our information technology system.
- Each store checks its sales receipts and POS receipts on a daily basis and submit daily sales reports through our system.
- Cash proceeds must be handled by a designated cashier in each store and must be kept in the store's safe and deposited to our designated bank accounts on a daily basis.
- Our headquarters' accounting department verifies the reconciliation of sales and actual cash proceeds of the previous day by cross-checking the sales information recorded in our information technology system and the cash deposited in our designated bank accounts in respect of each store.

During the Track Record Period and up to the Latest Practicable Date, we had not recorded any material cash loss or theft.

### **Management Information System**

We place emphasis on our management information system to improve the efficiency of our procurement, sales, inventory control, logistics and customer base and membership data management. Currently, each of our self-operated stores and some of the stores operated by our authorized

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third-party offline retailers are linked to our information technology system through a POS terminal, which facilitates timely and accurate data collection and management. Our DRP system also enables us to provide information technology support to these stores, and to compile and analyze our operational and financial data and information on a real-time basis.

Our management information system allows us to collect information regarding consumer purchases, monitor consumer preferences and make timely assessments of market trends. It also enables us to closely monitor sales and inventory levels at our stores, providing vital information that we can use to responsively reallocate our inventory.

### **Risk Management**

We have designed and implemented risk management policies to address various potential risks identified in relation to operations of self-operated stores and other sales channels, including strategic risks, operational risks, market risks, financial risks and legal risks. Our risk management policies set forth procedures to identify, analyze, categorize, mitigate and monitor various risks. Our Board is responsible for overseeing our overall risk management and assessing and updating our risk management policies. Our risk management policies also set forth the reporting hierarchy of risks identified in our operations.

### **OUR BRANDS AND PRODUCTS**

#### **Brands**

We offered a wide range of trendy MBC Products, primarily under the Goodbaby Brands and 11 leading international sports & leisure brands primarily including Nike, Adidas, Skechers, PUMA, Converse, GEOX, The North Face, Clarks, Reebok and Columbia, as of the Latest Practicable Date.

#### ***Goodbaby Brands***

The Goodbaby Brands comprise a portfolio of brands, including:

- “Goodbaby” and “Happy Dino” (both with respect to the durable juvenile products), “Cybex” and “CBX,” which are brands owned by the GBI Group;
- “Goodbaby” and “Happy Dino” (both with respect to the apparel for babies and children and maternity and babycare products), which are being transferred to us from the GBI Group according to our De-merger Agreement with GBI Group; and
- Our own brand, “Family by GB.”

#### ***Durable juvenile products***

We are an authorized non-exclusive distributor in China of durable juvenile products (including strollers, car seats, cribs, children’s bicycles and tricycles and related accessories) manufactured by the GBI Group. These durable juvenile products include products under the Goodbaby, Happy Dino, Cybex and CBX brands owned by the GBI Group.

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We use a distributorship agreement to purchase these durable juvenile products from the GBI Group for distribution in China on a non-exclusive basis through our omni-channel sales platform. The key terms of the distributorship agreement include:

- *Duration:* Three years, renewable for additional terms of three years upon notice of the GBI Group. Our existing distributorship agreement with the GBI Group has a term of three years from January 1, 2016 to December 31, 2018.
- *Exclusivity:* Under our distributorship agreement with the GBI Group, we are prohibited from competing with stores directly operated by the GBI Group or those operated by the GBI Group's other distributors within their respective authorized distribution areas. As of the Latest Practicable Date, to our knowledge, the GBI Group did not have any directly operated stores, and had 530 distributors for its durable juvenile products, including us. Each of the GBI Group's distributors is authorized by the GBI Group to distribute its products in specific distribution areas and channels. When establishing sales arrangements with us, the GBI Group took into consideration our geographic coverage and sales channels, to ensure that our distribution areas and channels complement, rather than overlap with, those of its other distributors. Accordingly, we are authorized by the GBI Group to distribute its products in specific distribution areas and channels. Pursuant to the sales arrangements between the GBI Group and us, we have been authorized by the GBI Group to distribute the GBI Group's products through (i) our e-commerce sales channels, and (ii) our self-operated stores and supermarkets and hypermarkets that have been individually approved by the GBI Group. We conduct our sales operations in strict compliance with these arrangements, and therefore believe that we have been in compliance with the exclusivity provision in our distributorship agreement with the GBI Group and do not compete with the GBI Group's other distributors.
- *Sales targets and incentive scheme:* None.
- *Pricing policy and resale price management:* The GBI Group sets the price at which we purchase their products based on negotiation with us as well as the suggested retail prices at which the products are to be sold to end-customers. However, the prices at which we on-sell these products to our third-party retailers and distributors are set by us, taking into account the sales performance of the third-party retailers and distributors and our expected profit margins. As the transactions between our Group and the GBI Group constitute continuing connected transactions of the GBI Group pursuant to Chapter 14A of the Listing Rules, the distributorship agreement also sets forth annual caps for which we can procure products from the GBI Group, which amounted to RMB406.9 million, RMB630.8 million, RMB977.7 million, RMB1,466.5 million, RMB1.11 billion, RMB1.45 billion and RMB1.87 billion, respectively, from 2012 to 2018. The terms the GBI Group offers us under the distributorship agreement are not more favorable than those offered to its other distributors.
- *Delivery:* We generally pay for product delivery costs, except for orders placed by our online end-customers, which are delivered by the GBI Group directly to these end-customers at their cost.

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- *Credit and payment terms:* Under the distributorship agreement, we make monthly payments and have a credit period of 120 days for settlement of the purchase price. Our purchases from the GBI Group are generally settled in RMB via wire transfers.
- *Return or exchange of products:* We are allowed to return or exchange defective products. The amounts of products we return to the GBI Group are deducted from our purchase price for new orders.
- *Product liability:* The GBI Group undertakes to fully indemnify us against any losses resulting from product defects.
- *Intellectual property:* We are authorized to use the Goodbaby Brands' trademarks on a non-exclusive basis for the promotion of products that we source from the GBI Group.
- *Termination:* The distributorship agreement can be terminated by either party upon the occurrence of certain specified force majeure events or terminated by the non-breaching party upon the occurrence of a material breach.

In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our purchases from the GBI Group amounted to RMB363.6 million, RMB466.0 million, RMB644.1 million and RMB569.1 million, respectively, accounting for 32.2%, 32.6%, 37.0% and 29.4% of our total purchases, respectively.

### *Apparel for Babies and Children and Maternity and Babycare Products*

We design, develop and distribute apparel for babies and children and maternity and babycare products under the brands of Goodbaby and Family by GB. Maternity and babycare products under the brands of Goodbaby and Family by GB include diapers, pacifiers, bottles, tableware, toiletries, baby wipes, small appliances, footwear, baby soothing toys, beddings and accessories. We employ a dedicated product design, research and development team for our apparel for babies and children, and utilize the in-house design capabilities of our OEM contractors for the design of our maternity and babycare products. We outsource the production of all of these products to selected OEM contractors in China. Please see “—Product Design, Research and Development” and “—Suppliers and Raw Materials” for details.

As part of the de-merger of the GBI Group in 2010, it was agreed that certain categories of the “Goodbaby” and “Happy Dino” trademarks that are related to our business operations would be transferred from the GBI Group to us. We are in the process of registering these trademarks with the relevant government authorities, and the registration of such trademarks is expected to be completed by the end of 2016. Please see “Relationship with the GBI Group—Intellectual Properties” and “Appendix IV—Statutory and General Information” for details. The GBI Group owns the remaining

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categories of these “Goodbaby” and “Happy Dino” trademarks that are related to its business operations, including concept design, product design, research and development, raw materials sourcing, production, marketing and promotion, and sales and distribution of durable juvenile products. Accordingly, we and the GBI Group use different categories of the same “Goodbaby” and “Happy Dino” trademarks in connection with our respective business operations. See “Risk Factors—Risks Relating to Our Business and Industry—Failure to maintain good relationships with or secure competitive terms from brand companies may materially and adversely affect our profitability, business and prospects.”

### *Sports & Leisure Brands*

We are an authorized distributor in China of sports apparel, footwear and accessories for babies and children under 11 leading international sports & leisure brands including Nike, Adidas, Skechers, PUMA, Converse, GEOX, The North Face, Clarks, Reebok and Columbia as of the Latest Practicable Date. According to Frost & Sullivan, we are China’s largest retailer of sports apparel and footwear for babies and children in terms of retail sales value in 2014. As of December 31, 2012, 2013 and 2014 and October 31, 2015, we had two, four, eight and 11 leading international sports & leisure brands in our brand portfolio.

We had entered into separate distributorship agreements for each of these 11 sports & leisure brands as of the Latest Practicable Date. Under these distributorship agreements, we are authorized to sell sports apparel, footwear and accessories for babies and children under these brands. The key terms of these distributorship agreements include:

- *Duration:* One to five years, renewable for additional terms of one to five years. Our existing distributorship agreements with the sports & leisure brand companies will expire between May 2016 and February 2020. We plan to renew these agreements with the sports & leisure brand companies upon their expiration. With our established business relationship with these brand companies, we do not foresee any difficulty in renewing these agreements.

The following table sets forth the remaining terms of our distributorship agreements with the sports & leisure brand companies as of the Latest Practicable Date:

	<b>Less than one year</b>	<b>One to three years</b>	<b>Three to five years</b>
Number of distributorship agreements with the sports & leisure brand companies . . . . .	Two	Six	Three



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- *Exclusivity:* We are authorized to sell these products on a non-exclusive basis, except that we have exclusive distributorship right to sell sports apparel and footwear for babies and children of The North Face and Columbia (both for Kids Stations only), Skechers, Clarks (subject to certain existing Clarks' stores) and PUMA (other than PUMA's self-operated stores and stores operated by PUMA's other distributors offering PUMA products in formats selling to consumers of all ages) in China. We are not allowed to sub-distribute the products that we source from two out of the 11 sports & leisure brands.
- *Sales targets and incentive scheme:* The distributorship agreements may provide incentives, such as sales rebates or additional price discounts, when we achieve or exceed specified sales targets.
- *Pricing policy:* The brand companies determine (i) the suggested retail prices at which these products are suggested to be sold to end-customers, and (ii) the prices at which we purchase their products. These prices are based on negotiation with us with reference to the suggested retail prices of these products. However, for agreements under which we are allowed to sub-distribute the products that we source from the sports & leisure brands, the prices at which we on-sell the products to our third-party retailers and distributors are set by us, taking into account the suggested retail prices, the sales performance of the third-party retailers and distributors and our expected profit margins.
- *Delivery:* Products are generally delivered to us at the brand companies' cost, while we are responsible for providing sufficient storage capacity and timely logistics and distribution of the products. Title to the products and legal risks are passed to us when the products are delivered to and accepted by us.
- *Credit and payment terms:* The brand companies grant us credit terms ranging from 60 to 90 days. Our purchase from the sports & leisure brand companies are generally settled in RMB via wire transfers.
- *Return or exchange of products:* We are allowed to return or exchange defective products.
- *Product liability:* The brand companies are generally liable to us for our losses resulted from product defects, subject to certain customary conditions and restrictions. For example, some brand companies require us to purchase product liability insurance or require us to provide notification of any product liability claims within a specified time frame.
- *Termination:* Certain of the brand companies have the right to terminate our distributorship agreements if we do not meet the agreed sales targets.

In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our aggregate purchases from the sports & leisure brands amounted to RMB551.3 million, RMB653.9 million, RMB676.9 million and RMB996.9 million, respectively, accounting for 48.9%, 45.7%, 38.8% and 51.4% of our total purchases, respectively. Certain of our brand companies for the sports & leisure brands adjusted their product supplies in 2014, prioritizing supply of products to relatively larger stores over smaller

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stores. This prioritization adversely affected sales of some of our relatively smaller stores in 2014, and, as a result, adversely affected our same-store sales growth (in terms of increases in average revenue of our Comparable Stores) for all brands and for sports & leisure brands in 2014 compared to 2013.

### *Other Brands*

We have established a joint venture with Mothercare UK, Mothercare-Goodbaby JV, to sell Mothercare Brands products in China under the authorization of Mothercare UK. Please see “History, Reorganization and Corporate Structure—Our Corporate Developments” for details of the joint venture. As of the Latest Practicable Date, Mothercare Brands comprised Mothercare, ELC and the third-party brands that Mothercare UK or MGRL is authorized to distribute in China. Pursuant to the joint venture agreement with Mothercare UK, Mothercare-Goodbaby JV purchases MBC Products under the Mothercare Brands from Mothercare UK for resale to end-customers in China and pays a percentage of the sales proceeds of these products to Mothercare UK as an annual royalty fee. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our purchases from Mothercare UK amounted to RMB48.1 million, RMB50.7 million, RMB87.0 million and RMB60.6 million, respectively, accounting for 4.3%, 3.5%, 5.0% and 3.1% of our total purchases, respectively. To supplement its procurement from Mothercare UK, Mothercare-Goodbaby JV also sources certain products under the third-party brands that MGRL is authorized to distribute in China or sources from their authorized distributors in China from time to time. Other than products sourced from these authorized distributors in China, a vast majority of the products that Mothercare-Goodbaby JV sold under the Mothercare Brands during the Track Record Period and up to the Latest Practicable Date were imported. We have not entered into any hedging transactions to mitigate Mothercare-Goodbaby JV’s exposure to foreign exchange risk.

Certain of our joint ventures are engaged in the online and offline distribution of MBC Products. In addition to the distribution of products under the Goodbaby Brands and our own brand, Mccher, these joint ventures are authorized to distribute MBC Products under a number of third-party brands. These joint ventures use distributorship agreements with the brand companies of these third-party brands for the distribution of their products in specific geographic regions.

We continuously evaluate and assess our brand offerings and aim to optimize our brand portfolio. In September 2012, we discontinued our distribution of maternity and baby care products under a third-party brand as part of our growth strategy to focus on our own maternity and baby care products under the Goodbaby Brands.

In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our purchases from brand companies accounted for approximately 85.0%, 82.5%, 81.3% and 81.9%, respectively, of our total cost of sales from continuing operations. During the Track Record Period and up to the Latest Practicable Date, none of our distributorship agreements were terminated by the brand companies, none of the brand companies refused to renew any of their distributorship agreements with us, nor were there any material adverse changes in the terms of our distributorship agreements with the brand companies.

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### Products

We sell apparel and footwear for babies and children, durable juvenile products and maternity and baby care products. Durable juvenile products primarily consist of strollers, car seats, cribs, furniture, child seats and electronic toy cars. Maternity and baby care products primarily consist of baby feeding products, diapers, pacifiers, bottles, tableware, toiletries, baby wipes, small appliances, footwear, baby soothing toys, beddings and accessories.

We continuously evaluate and assess our product offerings and aim to optimize our product portfolio. We discontinued our children's apparel business for children of the age from eight to 16 under the Goodbaby Brands in March 2014, in an effort to streamline our product offerings to focus on apparel for babies and children under the age of six.

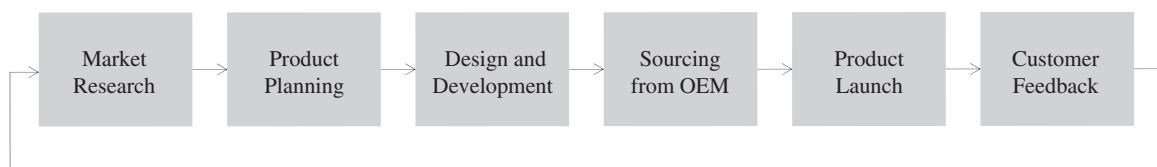
### PRODUCT DESIGN, RESEARCH AND DEVELOPMENT

We design and develop the apparel for babies and children and maternity and baby care products (including diapers, pacifiers, bottles, tableware, toiletries, baby wipes, small appliances, footwear, baby soothing toys, beddings and accessories) that we sell under the brands of Goodbaby and Family by GB.

Our design philosophy is to provide our end-customers with stylish and comfortable products. We employ a dedicated product design, research and development team for our apparel for babies and children and maternity and baby care products, which comprised 34 designers and product managers as of October 31, 2015. Our design, research and development team is headed by our design directors, who are worldwide well-known veterans of the MBC Product retail industry. We design our apparel for babies and children under the brands of Goodbaby and Family by GB in-house and utilize the in-house design capabilities of our OEM contractors for the design of maternity and baby care products under these brands. We plan to strengthen our in-house design capabilities and continue to collaborate with OEM contractors for the design, research and development of our maternity and baby care products. See “—Suppliers and Raw Materials—Our OEM Contractors” for details of our OEM contractors.

We had registered 25 patents in China, comprising 11 design patents and 14 utility patents as of the Latest Practicable Date. We plan to continue to invest in product design, research and development and focus on innovations in order to remain competitive.

The development life cycle for our apparel for babies and children and maternity and baby care products, which usually takes at least 180 days to complete, consists of the following steps:



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- *Market research.* We conduct market research by analyzing sales statistics collected through our omni-sales network as well as our inventory data. We also collect and analyze information about international trends, our competitors' products and the pricing of other products in the same categories in the market.
- *Product planning.* We formulate our product plans based on the information and data collected, spanning various aspects of product planning, including style, color, material, technique, price, market position, launch timetable, sales format, sales forecast, cost analysis, product marketing plan and promotional materials.
- *Design and development.* After the product plan is approved, our in-house design team or OEM contractors starts preparing the initial sketches and produces product prototypes. Before a new product is launched, we evaluate various aspects of the product which usually include product design, packaging and cost analysis.
- *Sourcing.* Upon finalizing new product designs, we provide our design and manufacturing specifications to our OEM contractors for them to provide price quotes. Once the price is confirmed by our finance department and product divisions, the OEM contractor starts procurement of raw materials and commences production.
- *Product launch.* We hold various procurement fairs each year to introduce and showcase our new product collections where our third-party retailers and distributors place orders with us.
- *Customer feedback.* After product sales begin, we closely monitor our sales data and end-customer feedback and communicate with our production and design teams regularly.

### SUPPLIERS AND RAW MATERIALS

#### Our Suppliers

Our suppliers include brand companies and OEM contractors. The following table sets forth our five largest suppliers and their respective contribution to our total purchase during the Track Record Period:

*For the year ended December 31, 2012*

Ranking	Name of Suppliers	% to total purchase
1 . . . . .	a sports & leisure brand company	48.8%
2 . . . . .	GBI Group	32.2%
3 . . . . .	Mothercare UK	4.3%
4 . . . . .	an OEM contractor	2.5%
5 . . . . .	an OEM contractor	1.3%
Total . . . . .		89.1%

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*For the year ended December 31, 2013*

Ranking	Name of Suppliers	% to total purchase
1 . . . . .	a sports & leisure brand company	43.5%
2 . . . . .	GBI Group	32.6%
3 . . . . .	Mothercare UK	3.5%
4 . . . . .	an OEM contractor	3.0%
5 . . . . .	an OEM contractor	<u>1.9%</u>
Total . . . . .		84.5%

*For the year ended December 31, 2014*

Ranking	Name of Suppliers	% to total purchase
1 . . . . .	GBI Group	37.0%
2 . . . . .	a sports & leisure brand company	30.8%
3 . . . . .	Mothercare UK	5.0%
4 . . . . .	an OEM contractor	4.4%
5 . . . . .	a sports & leisure brand company	<u>2.9%</u>
Total . . . . .		80.1%

*For the ten months ended October 31, 2015*

Ranking	Name of Suppliers	% to total purchase
1 . . . . .	a sports & leisure brand company	35.6%
2 . . . . .	GBI Group	29.4%
3 . . . . .	a sports & leisure brand company	5.1%
4 . . . . .	an OEM contractor	4.1%
5 . . . . .	Mothercare UK	<u>3.1%</u>
Total . . . . .		77.3%

In 2012, 2013 and 2014 and the ten months ended October 31, 2015, purchases from our largest supplier (the brand company for a leading international sports & leisure brand for 2012, 2013 and the ten months ended October 31, 2015, and the GBI Group for 2014) accounted for approximately 48.8%, 43.5%, 37.0% and 35.6% of our total purchase, respectively.

Other than as disclosed in this prospectus, none of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the Offer Shares) had any interest in any of our suppliers during the Track Record Period.

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### **Our OEM Contractors**

During the Track Record Period, we manufactured in-house certain baby underwear and baby soothing toys under the brand of Goodbaby until August 2012 and August 2013, respectively. As of October 31, 2015, the book value of our production machines for the production of these products was approximately RMB0.3 million. We sold these machines to an independent third-party in December 2015. We currently outsource the production of our apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB to selected OEM contractors in China. We also utilize the in-house design capabilities of our OEM contractors for the design of our maternity and baby care products. Our OEM contractors are generally specialized in the design, development and production of apparel and accessories for babies and children, maternity and baby care products and other related products and experienced in providing outsourcing services. These practices enable us to focus our resources on key stages of the production life cycle, such as research and development, brand promotion and management and sales and distribution. This strategy has also allowed us to avoid extensive direct exposure to the risks and expenses of operating production facilities, while at the same time, promptly adjusting our product offerings in response to shifting market trends so as to maintain a highly competitive cost structure.

In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our purchases of outsourced products from our OEM contractors accounted for approximately 12.3%, 15.6%, 17.7% and 17.2%, respectively, of our total cost of sales from continuing operations.

### *Selection of OEM contractors*

We employ various evaluation and assessment criteria in selecting our OEM contractors, including industry experience and track record, expertise, product quality and quality control effectiveness, price, financial condition, production capacity and ability to meet our delivery timeline.

Each of our potential OEM contractors undergoes an approval process before we enter into any business relationship with them. For large orders, we typically use a bidding process to select qualified OEM contractors. In addition, once an OEM contractor has passed our approval process, we perform batch sampling of products that it manufactures for us.

### *Management of OEM contractors*

We employ an integrated supply chain management system for our outsourced products. The production cycles of our OEM contractors vary depending on the product produced and the raw materials used. Typically, apparel for babies and children requires 60 to 90 days to produce, and maternity and baby care products require 45 to 60 days to produce.

We impose stringent criteria in evaluating the performance of our OEM contractors. We closely monitor and evaluate the performance of our OEM contractors through the following measures:

- our OEM contractors are subject to routine quality control checks. Pursuant to our quality control guidelines, we terminate our relationship with an OEM contractor that fails to meet our required standards for three consecutive months; and

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- we conduct annual inspections of our OEM contractors to re-evaluate their overall performance and may terminate our business relationship with contractors who do not pass our annual inspection.

These evaluations are based on several factors, including the OEM contractor's quality control, technology, management, production capacity as well as its compliance with our policies and guidelines.

As of December 31, 2012, 2013 and 2014 and October 31, 2015, we had 74, 71, 98 and 76 OEM contractors in China, respectively. We have been working with our OEM contractors for an average of 3.8 years. We believe that we have a good working relationship with our OEM contractors. Changes in the number of our OEM contractors during the Track Record Period were primarily due to (i) changes in our product mix and (ii) our termination of a small number of OEM contractors who did not pass our annual inspection or failed to adhere to our required standards.

### *Supply agreements*

We have entered into supply agreements with our OEM contractors which range from three months to five years. These supply agreements set forth fundamental terms in relation to the qualification of the OEM contractors, order placement process, production commitment of the OEM contractors, quality standards, pricing terms, delivery protocols, inspection and acceptance of products, return policies, payment terms, protection of trademarks and other intellectual properties rights and confidentiality obligations.

These supply agreements contain no specific purchase requirements. Instead, we specify the product type, quantity, delivery timeline and other details in individual purchase orders that we place with our OEM contractors from time to time. The purchase prices of the final products are generally fixed during the term of the supply agreement. Pursuant to the supply agreements, our OEM contractors are obligated to fulfill all of our purchase orders and are not allowed to subcontract without our consent. Delivery charges and any damage to the products incurred during the transportation are borne by our OEM contractors. We require our OEM contractors to keep confidential our trade secrets known or used by them in the design and manufacturing of our products. Our OEM contractors are required to indemnify us if they disclose our trade secrets to any other third party without our prior consent. We retain the intellectual property rights to products manufactured by our OEM contractors. Our OEM contractors generally grant us credit periods ranging from 30 to 60 days. We may return defective products upon delivery or at any time product defects are discovered. During the Track Record Period, we did not have any material disputes with our OEM contractors. We believe that the manufacturing capacity of our OEM contractors is sufficient to meet our anticipated demand for the foreseeable future.

We maintain stringent quality control standards in the selection and management of our OEM contractors and throughout the outsourcing process. See “—Quality Control.” We are exposed to risks related to our reliance on third-party OEM contractors. See “Risk Factors—Risks Relating to Our Business and Industry—We rely on third-party OEM contractors for the manufacturing of our apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB. Our brand image and business may be negatively affected by the performance of or disruption in supply of our OEM contractors.”



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### **Raw Materials**

The principal raw materials for the apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB are cotton cloth, non-woven fabric, polyester and polypropylene. Our OEM contractors source the raw materials themselves in accordance with our design and manufacturing specifications.

During the Track Record Period, we had not encountered any disruption to our business as a result of shortage of raw materials.

### **PROCUREMENT AND ORDERING PROCESS**

#### **Procurement Process**

As an MBC Product retailer, our ability to identify and purchase an appropriate mix of merchandise in response to the latest market trends and customer preferences is critical to our success. To ensure an effective purchasing process, our headquarters' product divisions and our branch offices work together to formulate purchasing strategies based on historical sales records, customer preferences and purchase patterns, market trends and the number of new stores opening in the next year.

Our procurement process varies among brand companies. We order products under the Goodbaby Brands from time to time based on actual and forecast demand of our online and offline sales channels. The sports & leisure brand companies usually hold procurement events semiannually or, in a few cases, four times a year, providing a range of merchandise for us to select from. We order products under the sports & leisure brands for the upcoming months primarily through advance orders placed during these procurement events, as supplemented by replenishment orders. The discounts offered by the sports & leisure brand companies for advance orders are generally higher than those for replenishment orders.

Delivery time for the products we order varies among brand companies.

#### **Ordering Process**

Our self-operated stores, third-party retailers and distributors place orders with us for products under the Goodbaby Brands primarily through advance orders placed at our procurement fairs, as supplemented by replenishment orders. We hold two kinds of procurement fairs where our self-operated stores, third-party retailers and distributors place most of their orders, including (i) procurement fairs at our headquarters three times a year in April, August and December and (ii) procurement fairs at our branch office level twice a year in February and June. We use these orders, along with our historical sales statistics and internal sales forecasts, to determine our procurement plans from brand companies. The products are delivered to our self-operated stores, third-party retailers or distributors within an average of six days from the date an order is placed. In addition to orders at the time of our procurement fairs, our self-operated stores, third-party retailers and distributors may also place replenishment orders with us from time to time.

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Our self-operated stores, third-party retailers and distributors place orders with us for sports & leisure brands products primarily through advance orders placed at our procurement fairs, as supplemented by replenishment orders. We use these orders, along with our historical sales statistics and internal sales forecasts, to determine our procurement plans from brand companies. The products are delivered to our self-operated stores, third-party retailers or distributors within an average of six days from the date an order is placed. In addition to orders at the time of our procurement fairs, our self-operated stores, third-party retailers and distributors may also place replenishment orders with us from time to time.

### MANAGEMENT OF STORES FOR THE MOTHERCARE BRANDS

We have established a joint venture with Mothercare UK, Mothercare-Goodbaby JV. Mothercare-Goodbaby JV operates all of the stores nationwide for the Mothercare Brands, following the store design and product display guidelines set by Mothercare UK.

Mothercare UK usually holds procurement events in the U.K. twice a year, providing a range of merchandise for Mothercare-Goodbaby JV to select from. Mothercare-Goodbaby JV orders products under the Mothercare brand and the ELC brand for the upcoming months primarily through advanced orders placed during these procurement events, as supplemented by replenishment orders. Mothercare-Goodbaby JV orders products under the third-party brands that Mothercare UK or MGRL is authorized to distribute in China through replenishment orders, which are generally placed twice a month, based on the actual demand of our stores. Stores for the Mothercare Brands operated by Mothercare-Goodbaby JV place orders with Mothercare-Goodbaby JV for Mothercare Brands products from twice a week to every three weeks, and it usually takes two to eight days for the ordered products to be delivered to these stores.

### PRICING

#### Retail Pricing

All of our online and offline sales channels follow uniform nationwide suggested retail prices set by the relevant brand companies. We may offer discounts from time to time in consultation with the brand companies. During the Track Record Period, our stores were permitted to participate in sales promotions of the department stores or shopping malls in which they are located without seeking the prior consent of the relevant brand companies. Our distributorship agreements with these brand companies did not impose any restrictions on these types of arrangements. Under our distributorship agreements with the brand companies, stores are not allowed to organize sales promotions themselves within the retail stores without getting the prior consent of the brand companies and/or us.

We determine the suggested retail prices for the apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB for which we are responsible for the design, development, manufacture and distribution. In setting these suggested retail prices, we take into account a variety of factors, such as retail prices of our competitors' products, our marketing strategies, product demand and supply, market trends, our cost of outsourced production, product

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categories, spending patterns of target consumers, historical sales data and our expected gross profit margins. We set the suggested retail prices for these products, which are subject to minor adjustments reflecting the local competitive environment. We review and adjust these prices periodically based on the above factors and general market conditions.

In addition, we sell slow-moving products at discounts at our offline sales promotion events organized by our headquarters and branch offices. See “—Marketing and Promotion.”

### Wholesale Pricing

We set the prices at which we sell products to our third-party retailers and distributors based on negotiation with them. These prices are at a discount to the suggested retail prices of the products we sell. We set our prices and discounts taking into account our expected gross profit margins, suggested retail prices at which the products are to be sold to end-customers, our marketing strategies, product design and supply, market trends, our cost of outsourced production, product categories, historical sales data and for the third-party retailers and distributors we extend credit terms to, the credit terms we provide to them. We may also provide our third-party retailers and distributors sales rebates as incentives based on factors including the sales performance of the third-party retailers and distributors and our expected profit margin. In addition, our third-party retailers and distributors are encouraged to participate in our sales promotions, with assistance from us including promotional materials and human resources.

### WARRANTIES AND AFTER-SALES SERVICES

We have designed our after-sales policies to comply with all relevant PRC laws and regulations, including the “three guarantees (三包)” policy, which provides that end-customers may return or exchange a defective product within a specified time period.

Generally, our end-customers may return or exchange defective products within seven days of purchase or delivery. In addition, our self-operated online sales channels accept return and exchange of unused products for any reason within seven days of delivery. We maintain a customer service hotline to answer end-customer enquiries on product quality, order status and product return and exchange, and compile weekly reports on return/exchange data and customer complaints. We generally provide one-year product warranties for our durable juvenile products that are limited to repair and replacements of parts and accessories. We provide paid repair services for durable juvenile products after the expiration of the warranty.

During the Track Record Period, there were no material product returns, exchanges or product liability claims from our end-customers, third-party retailers or distributors. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, total returns of products from our end-customers were RMB0.8 million, RMB0.6 million, RMB1.2 million and RMB1.6 million, respectively. We return defective products returned to us to our brand companies for a refund pursuant to the relevant distributorship agreements with the brand companies. We did not record any provision for product warranty during the Track Record Period.

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### OUR LOGISTICS AND INVENTORY MANAGEMENT

#### Warehouse Management System

We maintain a logistics and delivery network with nationwide coverage. Powered by our robust and advanced warehouse management system, we have adopted a logistics model that supports our nationwide omni-sales network. We use both nationwide and regional third-party logistics service providers to ensure reliable and timely deliveries. See “—Transportation and Logistics.”

We have 39 warehouses in China, including one national distribution center (NDC) located in Kunshan, Jiangsu province, one regional distribution center (RDC) located in Langfang, Hebei province and 37 local distribution hubs (DC-Hub) located in our branch offices and subsidiaries. All these distribution centers and hubs work together to fulfill orders from both our offline and online sales channels. Our WMS system tracks the inventory information in real time in all distribution centers, hubs and self-operated stores and some of the stores operated by our authorized third-party offline retailers and enables us to continuously improve the space utilization and operational efficiency of our warehousing facilities.

Our DRP system is fully integrated with our centralized WMS system. All orders received by our DRP system are transferred to and processed by our WMS system. Our WMS system enables us to closely monitor each step of the order fulfillment process from the time a purchase order is confirmed to when the product is packaged and picked up by a logistics service provider or courier company for delivery. Shipments from our suppliers first arrive at one of our warehouses. At each warehouse, inventory is bar-coded with security labels and tracked through our system, allowing real-time monitoring of inventory levels across our logistics network and item tracking to avoid unauthorized transfers of the products we sell across the sales network.

Products ordered by our stores are typically delivered within three to four days after we receive the order.

#### Transportation and Logistics

We deliver products directly to our self-operated stores or the warehouses of third-party retailers and distributors by land transportation through independent third-party logistics service providers who bear the risks and losses associated with delivery. As of the Latest Practicable Date, we had 19 logistics service providers. We usually enter into annual service agreements with our logistics service providers. The performance of our logistics service providers is subject to regular reviews and assessments, including their on-time delivery rate, transportation capability and overall service quality. We make suggestions to our logistics service providers based on these assessments and urge them to make improvements accordingly. Under the terms of our current service agreements, we are entitled to terminate these agreements if the logistics service providers fail to satisfy our standards and requirements.

We deliver orders placed on our online platform to all areas of China through express delivery services by reputable third-party courier companies with nationwide coverage. As of the Latest Practicable Date, we engaged six courier companies.

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We regularly monitor and review the logistics service providers and courier companies' performance and their compliance with our contractual terms. For our payment-on-delivery transactions, we typically require our logistics service providers and courier companies to pay deposits or provide payment guarantees before providing services to us. Our logistics service providers and courier companies are responsible for all damages resulting from delayed delivery and are required to indemnify us against all claims and losses arising out of the conduct of their drivers and other employees. In addition, our logistics service providers and courier companies are not permitted to sub-contract to third parties without our prior written consent. We closely monitor the punctuality of delivery and service quality of our logistics service providers and courier companies through customer surveys and feedbacks from our end-customers to ensure customer satisfaction.

Our transportation arrangements with third-party logistics service providers and courier companies allow us to reduce our capital investments in developing and maintaining an in-house logistics system. The risks relating to transportation and delivery of products are also transferred to third-party logistics service providers and courier companies. During the Track Record Period and as of the Latest Practicable Date, we had not experienced any significant delays or improper handling of goods that materially and adversely affected our business operations. Furthermore, there are sufficient replacement logistics service providers and courier companies in China that offer similar terms as our existing ones, and we do not anticipate any shortage in logistics services in the foreseeable future.

### **Inventory Control**

In order to minimize our inventory carrying costs and the use of our working capital, we strive to maintain optimal inventory levels. Our inventory primarily consists of finished products purchased from the brand companies and finished products of our apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB. Our inventory management process adopts a first-in-first-out policy. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our inventory turnover days were 198.3, 194.3, 156.7 and 156.5 days, respectively.

Each item of merchandise that we offer has a unique SKU for identification in our DRP system, which is, in turn, linked to our POS system. The cashiers at our self-operated stores and some of our authorized third-party offline retailers' stores that are equipped with our POS terminals scan the bar code or item code of the merchandise being sold. Sales information from each of these store's POS terminal is collated and uploaded to our DRP system so that our DRP system can record the sales data real-time. Any sales made by our online stores are recorded directly in our DRP system. The DRP system automatically generates a request to replenish daily inventory according to daily stockout data, submits these requests to our warehouses and coordinates delivery to most stores within two to four days. We believe, with this system in place, that the inventory level of a particular product model can be closely monitored and controlled.

Our profitability is reduced when our inventory is held for excessive periods of time. Accordingly, our headquarters and branch offices hold offline sales promotion events to sell slow-moving products at a discount. See "—Marketing and Promotion." We also participate in online sale events held by Tmall to sell slow-moving inventory. We believe that our use of various offline and online sales promotion events helps us dispose of slow-moving items and reduces our inventory risks, which improves our cash flow management and overall profitability.

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### QUALITY CONTROL

We have long recognized that as a retailer of MBC Products, we do not compete primarily on the basis of low cost, but instead seek to maintain the most consistent quality, both in terms of technical specifications and aesthetic design, within the price range for comparable products. For the apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB, we seek to maintain stringent quality control procedures to ensure that the products manufactured by our OEM contractors, including the relevant raw materials and components, meet or exceed the relevant safety and other standards.

China's MBC Product retail market is relatively small compared to that of other mass-produced products such as automobiles. We believe we have led China's MBC Product retail market and have been at the forefront of setting certain industry trends. We have participated in the drafting of various national and industry standards for maternity and baby care products since 2010. In addition, we have been consulted by the Chinese government in connection with various national safety standards, including possible future legislation governing the maternity and baby care products industry. We also refer to guidelines established in North America, Europe, Japan and other industrialized countries in order to formulate our own internal guidelines and to assist us in making recommendations to the Chinese government. Generally, we seek to establish internal quality control guidelines that are more stringent than those that are nationally mandated.

We have developed a comprehensive and effective quality management system as part of our commitment to adhering to stringent quality control standards. We have formulated detailed manufacturing standards and rigorous quality control guidelines and protocols that govern the entire production process, from product design and development and sourcing of raw materials to the packaging and shipment of finished products, to ensure that our products meet the relevant product safety standards. In addition, we have established a comprehensive product safety risk prevention system, which aims to minimize the number of safety incidents arising from the use of our products. Specifically, this system focuses on the improvement of 13 aspects relating to product safety, including product recall procedures, customer service information, production quality, inspection of raw materials and goods, supplier management, document control, information records, labels and instruction manuals, packaging and advertisements, product safety and reliability testing, product safety evaluation, design evaluation, and raw materials agreements. Any nonconforming products are identified, segregated and disposed of by our quality control team.

As of October 31, 2015, we had assembled a dedicated quality control team consisting of 45 employees, all of whom have completed our internal quality control training customized for their respective roles and responsibilities. Team members also have professional qualifications such as the QMS certification. The head of our quality control team has 16 years of experience in quality management and holds professional qualifications issued by accredited quality assurance authorities including the China Association for Quality (中國質量協會).

Our Directors confirm that the products manufactured by our OEM contractors comply with Chinese product safety standards in all material respects.

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### **Product Design and Development**

Our quality control process starts early in the design and development stage, when we consider the functionality and quality of raw materials to be used for manufacturing. We provide our OEM contractors with detailed design and manufacturing specifications. In addition, we require our OEM contractors to first produce product samples for our review and approval before mass production is commenced.

### **Raw Material Sourcing**

Although our OEM contractors are responsible for sourcing raw materials for the production of our apparel for babies and children and maternity and babycare products under the brands of Goodbaby and Family by GB, we have undertaken various measures to ensure the quality and safety of raw materials: (i) we require our OEM contractors to source raw materials in accordance with our design and manufacturing specifications, (ii) we closely monitor our OEM contractors raw material testing procedures, and (iii) we have formulated strict procedures on the random sampling of raw materials for toxic substances such as heavy metals, benzene and formaldehyde.

### **Product Manufacturing**

Our OEM contractors manufacture in strict compliance with our design and manufacturing specifications and follow our quality control protocols at each stage of the manufacturing process. Our dedicated quality control team also regularly inspects the production facilities of our OEM contractors, including sampling of all work-in-process at the production lines, to ensure that the applicable product safety standards and our own protocols are followed. Our OEM contractors conduct sampling tests on each batch of finished products, and submit product samples to accredited testing authorities for quality inspections in accordance with national and industrial standards as well as our own specifications on an annual basis.

We follow stringent product stacking, loading and packing requirements in storing our products in the warehouse. The product type and the production serial number, along with the OEM contractors, production schedules and other information, are recorded in our DRP system for inventory traceability.

### **Final Product Quality Control**

All final products supplied by our OEM contractors are subject to our random sampling before they are accepted and stored in our warehouses. Before commencing product sales, our quality control team conducts another round of random sampling to ensure that the accepted final products comply with our quality and safety standards. If a product is found to be defective or not in compliance with our specifications, we send it back to the relevant OEM contractors for return or exchange.



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### Testing

To ensure product quality and safety, before commencing mass production of a new product, we submit product samples to accredited testing authorities for testing and inspection in accordance with national and industrial standards as well as our own specifications. We regularly submit our products to inspection authorities and nationally or internationally recognized testing centers to ensure product quality and reliability, such as Shanghai Institute of Quality Inspection and Technical Research (上海市質量監督檢驗技術研究院).

### Quality Certification

We obtained the ISO9001:2008 certification in December 2012. The ISO certification process involves subjecting the relevant quality management systems to annual surveillance audits by an ISO certification body.

### Recalls

We did not experience any material recalls of products during the Track Record Period and up to the Latest Practicable Date. During the Track Record, two of our sports & leisure brand companies recalled a small portion of the sports shoes that they had supplied to us due to minor product defects. During the Track Record Period, we did not experience any product recall with respect to products under the Goodbaby Brands or the Mothercare Brands. The products we sell that had been recalled by the sports & leisure brand companies amounted to approximately RMB117,300, zero, RMB1.8 million and zero for the year ended December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively.

Our Directors have concluded that, during the Track Record Period and up to the Latest Practicable Date, (i) we were in compliance with the product safety standards in China in all material respects, (ii) we were not subject to any material fines or other penalties from Chinese government authorities regarding product quality or safety, (iii) we did not have any material product liability exposure, and (iv) we had not experienced any significant quality defects or product returns from our customers.

## MARKETING AND PROMOTION

Our marketing and promotion strategy has played an important role in the enhancement of our brand recognition and the increase in our sales. Our marketing and promotion activities are generally concentrated on the Goodbaby Brands, as the rest of the brands we carry are mainly recognized international brands that do not call for large-scale brand promotions by us. We pursue a direct in-store marketing strategy that focuses on in-store product presentation in a stylish, attractive and consistent manner. By using uniform product displays, window displays and furnishings at stores, we seek to increase customer awareness of the brands we offer. We also conduct marketing activities through social media, such as WeChat and major websites in China, to increase the sense of community among our end-customers and to increase word-of-mouth referrals. To enhance our brand awareness, we have

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conducted brand promotion activities such as engaging celebrities to advocate for the products we sell through social media platforms. We also use a wide variety of media, ranging from traditional channels such as print and television media, to promotional events, exhibitions, and various sponsorships to market the brands we carry.

In addition, we hold offline sales promotion events at our headquarters to sell slow-moving products at a discount twice a year. We allow retailers of other brands to participate in these sales promotion events and charge a percentage of their sales proceeds as service fees. Our branch offices also organize regional sales promotion events typically at department stores and shopping malls to sell slow-moving products at a discount.

To further develop customer loyalty, we have established a membership program for our end-customers. Our members can redeem our membership credits accumulated from their purchases online or offline for gifts and maternity and childcare-related services and information.

In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our marketing expenses amounted to RMB47.6 million, RMB73.0 million, RMB100.5 million and RMB103.7 million, respectively, representing approximately 2.5%, 3.1%, 3.3% and 3.5%, respectively, of our revenue from continuing operations in these respective periods.

## CUSTOMERS

Our customers include end-customers, online key accounts, authorized third-party online retailers, authorized third-party offline retailers, third-party maternity and childcare specialty stores, department stores, supermarkets and hypermarkets, offline distributors and other offline customers.

In 2012, 2013 and 2014 and the ten months ended October 31, 2015, sales to our five largest customers, which comprised two of our online key accounts, four of our authorized third-party online retailers, two department stores, one of our offline distributors and four of our other offline customers, in aggregate accounted for approximately 4.5%, 5.3%, 6.9% and 7.9% of our revenue from continuing operations, respectively, and sales to our largest customer (one of our other offline customers for 2012 and one of our online key accounts for 2013, 2014 and the ten months ended October 31, 2015) accounted for approximately 1.3%, 2.3%, 3.6% and 4.7% of our revenue from continuing operations, respectively. All of our top five customers during the Track Record Period were Independent Third Parties. None of our Directors, their associates or any of our current Shareholders having over 5% of our share capital has any interest in any of our top five customers that are required to be disclosed under the Listing Rules.

Our centralized sales and distribution management process allows us to effectively monitor our sales network from our headquarters. We implement standardized procedures for the collection and handling of customer feedback. We believe that our well-established and effectively managed retail network, as well as our strong relationships with our third-party retailers and distributors will continue to support our ability to successfully market and deliver the products we sell to end-customers.

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### SEASONALITY

Our sales are relatively balanced on an overall basis. Throughout the year, demand for certain products may be influenced by holidays, our participation in promotional campaigns or other reasons. Given our comprehensive product offerings, we do not believe that seasonality has any material effect on our results of operations as a whole.

### COMPETITION

In line with economic growth, the demand for MBC Products in China has been growing steadily in recent years, attracting many new entrants to the market, including international and domestic single and multi-branded MBC Product companies. The principal bases of competition in China's MBC Product retail industry include the brand offerings, depth and breadth of sales and distribution network, customer relationships, product quality and safety, product mix, supply chain management and ability to meet consumer preferences.

Although the MBC Product retail market in China is competitive, we believe that we enjoy a competitive edge over our competitors in China on the basis of:

- the strong position we hold to benefit from and capture opportunities in China's fast-growing MBC Product retail market through our well-developed offline and online sales channels;
- our ability to provide a compelling shopping experience to end-customers;
- our broad product offerings and the popularity, attractiveness, diversity, quality and authenticity of the products that we offer;
- our ability to select, position and manage brands;
- our extensive offline and online sales network across China;
- our ability to maintain or improve end-customers' satisfaction with our after-sale services; and
- our experienced management team.

As a result, we believe that potential competition on a nationwide level is limited. However, we cannot assure you that we will be able to replicate our historical success, nor can we assure you that new entrants or existing competitors, whether domestic or international, will not be able to increase their market share in China significantly. While we believe we currently have few competitors on a nationwide-level across China, we continue to face competition from a variety of local retailers and distributors in each of the regions in which we operate.

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### EMPLOYEES

As of the Latest Practicable Date, we employed 8,622 full-time employees located in 29 provinces. The following table provides a breakdown of our employees by function as of that date:

<u>Department</u>	<u>Number of Employees</u>
Stores / Retail Management . . . . .	6,628
Online Business . . . . .	271
Logistics Management . . . . .	389
Sports & Leisure Products Business . . . . .	266
Personal Care Products Business . . . . .	186
Maternity and Infant Clothing Business . . . . .	175
Finance . . . . .	321
Information Systems . . . . .	55
Management and Administration . . . . .	96
Human Resources . . . . .	48
Audit and Legal . . . . .	19
General Administrative and Others . . . . .	<u>168</u>
Total . . . . .	<u>8,622</u>

We provide orientation programs for new employees and continuous training to enhance our employees' industry, technical and product knowledge, as well as their familiarity with industry quality standards and work safety standards.

To promote high-quality customer service in our self-operated stores, we directly manage the recruitment and training of our sales attendants. Training includes information about us, methods of serving end-customers, knowledge of the brands and products we offer and sales skills.

We strive to continuously maintain good working relations with our employees. We believe that our management policies, working environment, development opportunities and employee benefits have contributed to building good employee relations and employee retention.

The remuneration packages for our employees include salary, bonuses and allowances. As required by Chinese regulations, we participate in social insurance schemes operated by the relevant local government authorities and maintain mandatory pension contribution plans and medical and work-related injury insurance schemes for our employees. We also contribute to various unemployment insurance plans as well as housing accumulation funds for our employees.

Our PRC legal adviser, Jingtian & Gongcheng, has confirmed that during the Track Record Period, based on the confirmation letters issued by relevant governmental authorities, we were in compliance with all material statutory social insurance obligations applicable to us under PRC laws in all material respects. In accordance with the applicable PRC laws and regulations on social insurance, we contribute to unemployment insurance plans as well as housing accumulation funds for our employees. We believe that we maintain a good working relationship with our employees, and during the Track Record Period, we did not experience significant problems in our relationship with our employees or disruption to our operations due to labor disputes.

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### PROPERTIES

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all of our Group's interests in land or buildings. This is because as of October 31, 2015, we did not own any properties.

As of the Latest Practicable Date, we had leased 158 properties in China. These leased properties are used as our offices, self-operated stores and warehouses.

In addition, as of the Latest Practicable Date, 102 of the lease contracts with respect to our leased properties had not been registered with the relevant Chinese governmental authorities. According to our PRC legal adviser, Jingtian & Gongcheng, the relevant Chinese governmental authorities may require us to apply for such registrations within a stipulated time. If we fail to do so, we may be liable to a fine of up to RMB10,000 per incident. As advised by our PRC legal adviser, Jingtian & Gongcheng, failure to complete such registration will not affect the validity or enforceability of the relevant lease contracts or result in us being required to vacate the leased properties.

Registration of the lease contracts requires cooperation of the lessors, including their provision of various original documents to the local governmental authorities. While we have limited control over these lessors in cooperating with us, we have taken a number of initiatives to complete the lease registration. We have established a dedicated team that proactively communicates with the lessors in order to obtain their cooperation and collect the required application documents for the lease registration. We were advised by Jingtian & Gongcheng that, if the lease registration can be completed in accordance with relevant laws and regulations (i) before we receive any notice from the governmental authorities requiring us to apply for lease registration, or (ii) in the event that we receive such notice in the future requiring us to apply for registration, within the prescribed time limit ordered by the competent government authorities (such time limit is not explicitly provided by PRC laws), the probability of the competent government authorities imposing a penalty on us is remote, on the basis that (i) no penalty had been imposed on us for our failure to register these lease contracts during the Track Record Period and up to the Latest Practicable Date, (ii) according to the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), the competent government authorities have the discretion to order us to register these lease contracts within a prescribed time limit, or impose a fine up to RMB10,000 per incident if we fail to comply with such requirement. During the Track Record Period and up to the Latest Practicable Date, we had not received any notice or order from the competent government authorities requiring us to rectify our failure to complete the lease registrations within a prescribed time limit, and (iii) our Directors believe that the lease registration can be completed in cooperation with the lessors within a reasonable period of time after the relevant application documents are submitted.

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### INTELLECTUAL PROPERTIES

We believe that our brand and our intellectual property rights, including our trademarks, patents and domain names, are important to our future business development. In optimizing the value of our intellectual property rights, we effectively manage, safeguard and protect them in both domestic and overseas markets. Details of our intellectual property rights are set out in “Appendix IV—Statutory and General Information.” As of the Latest Practicable Date, we had 40 registered trademarks and 46 applications for trademark registration. In addition, as of the same date, the GBI Group was in the process of transferring 164 registered trademarks and two trademark applications to us according to our De-merger Agreement with the GBI Group. As of the Latest Practicable Date, we held 14 utility patents and 11 design patents.

We actively defend against infringement of our intellectual property rights and any counterfeiting of the products we sell in China in collaboration with our brand companies. We closely monitor and collect information on counterfeit products from various sources, including our third-party retailers and distributors. As of the Latest Practicable Date, we were not aware of any material incident of counterfeit products which adversely affected our operations, nor were we involved in any outstanding material lawsuit or threatened action with respect to our intellectual property rights.

Both we and the GBI Group use different categories of the same “Goodbaby” and “Happy Dino” trademarks in connection with our respective business operations. As such, any negative publicity associated with the GBI Group may materially and adversely affect our reputation and the market acceptance enjoyed by our “Goodbaby” and “Happy Dino” trademarks. We have limited control over the use of the logo by the GBI Group in its business activities; however, if negative publicity associated with the GBI Group occurs, we will seek to minimize any negative impact on the reputation and market acceptance enjoyed by our “Goodbaby” and “Happy Dino” trademarks.

### INSURANCE

We maintain insurance coverage in relation to our business that is adequate and is customary for our industry, including public liability insurance, property all-risks insurance, business interruption insurance, product liability insurance and insurance against the risk of liability from employee misconduct.

We had not made any material claims on any insurance policy maintained by us during the Track Record Period.

### LEGAL PROCEEDINGS

As of the Latest Practicable Date, there was no litigation or arbitration or administrative proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group’s financial condition or results of operations. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

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### LICENSES, REGULATORY APPROVALS AND COMPLIANCE

Our directors have confirmed that, as of the Latest Practicable Date, our Group has complied with relevant PRC laws and regulations in all material aspects, including laws and regulations relating to labor and social security, and has obtained all material licenses, approvals and permits from appropriate regulatory authorities for our business operations in China since the commencement of the Track Record Period. Our PRC legal adviser, Jingtian & Gongcheng, has confirmed that based on the confirmation letters issued by the relevant governmental authorities, during the Track Record Period, our Group complied in material aspects with all relevant PRC laws and regulations regarding our operations, and obtained all material licenses, approvals and permits for our business operations in China as required by PRC laws; our licenses and permits were valid as of the Latest Practicable Date.



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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our consolidated financial information included in “Appendix I—Accountants’ Report” and “Appendix IIA—Unaudited Pro Forma Financial Information,” in each case together with the accompanying notes, and “Appendix IIB—Profit Estimate.” This consolidated financial information includes the financial information of our Discontinued Operation, which we entered into an agreement to dispose of on March 10, 2015. The accountants’ report has been prepared by Ernst & Young, Certified Public Accountants, Hong Kong in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which comprise all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants.*

*This discussion contains forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.*

### OVERVIEW

We are China’s largest omni-channel specialty retailer for MBC Products and one of China’s leading sales platforms among all retailers selling MBC Products, each as measured by total retail sales value in 2014 according to Frost & Sullivan. Leveraging our nationwide sales network and highly scalable sales formats, especially our self-operated online and offline stores, we have successfully built a portfolio of leading MBC Product brands. As of the Latest Practicable Date, this portfolio included primarily Goodbaby Brands and 11 leading international sports & leisure brands, including Nike, Adidas, Skechers, PUMA, Converse, GEOX, The North Face, Clarks, Reebok and Columbia. We have also established long-term strategic cooperative relationships with the brand companies. In addition, we have a joint venture with Mothercare UK, Mothercare-Goodbaby JV, that sells products under the Mothercare Brands in China. As an integral part of our omni-channel sales platform for MBC Products, we have (1) China’s largest online specialty retailer of MBC Products in terms of total online retail sales value in 2014, and (2) China’s largest MBC Product offline specialty sales network in terms of number of self-operated stores as of December 31, 2014 and total offline retail sales value in 2014, according to Frost & Sullivan. We are a market-leader among all retailers selling MBC Products online in China in terms of total online retail sales value in 2014, according to Frost & Sullivan.

Our revenue from continuing operations increased by 20.8% from RMB1,924.0 million in 2012 to RMB2,323.9 million in 2013, by 31.8% to RMB3,063.3 million in 2014, and by 20.0% from RMB2,501.3 million in the ten months ended October 31, 2014 to RMB3,000.9 million in the same period of 2015. Our profit before tax from continuing operations increased by 71.9% from RMB43.1 million in 2012 to RMB74.1 million in 2013, increased by 68.3% to RMB124.7 million in 2014, and increased by 114.4% from RMB106.9 million in the ten months ended October 31, 2014 to RMB229.2 million in the same period of 2015.

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### **BASIS OF PRESENTATION**

Pursuant to the Reorganization, our Company became the holding company of the companies now comprising our Group on December 31, 2013. Our Company and the companies now comprising our Group were under common control of Mr. Song and Ms. Fu, our Controlling Shareholders, before and after completion of the Reorganization. Accordingly, our financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganization had been completed as at the beginning of the Track Record Period. For more information on the Reorganization, see the section headed “History, Reorganization and Corporate Structure—Reorganization.”

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group as of and for the years ended December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2015 include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. No adjustments have been made to reflect fair values or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders in our results and net assets. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

#### **Consumer Demand for Our MBC Products, including Sports & Leisure Brands Products for Babies and Children**

Our results of operations depend on consumer demand for our MBC Products, including sports & leisure brands products for babies and children. Consumer demand is affected by the growth of China’s economy and Chinese residents’ per capita disposable income. In 2012, 2013, 2014 and the first nine months of 2015, China’s real GDP grew at a rate of 7.8%, 7.7%, 7.3% and 6.9%, respectively, according to China’s National Bureau of Statistics. During these same respective periods, the per capita disposable income of Chinese urban households grew at a rate of 12.6%, 7.8%, 9.0% and 8.4%, according to China’s National Bureau of Statistics, and is expected to grow at a CAGR of 9.2% from 2014 to 2019, according to Frost & Sullivan. Per capita disposable income growth indicates a growth in purchasing power to consume MBC Products, according to Frost & Sullivan.

In addition, consumer demand for our MBC Products, including sports & leisure brands products for babies and children, is affected by the growth of their respective markets. The retail sales value of China’s MBC Product retail market (including sports & leisure brands products for babies and children) grew at a CAGR of 12.6% from 2010 to 2014 and is expected to grow at a CAGR of 14.4% from 2014 to 2019, according to Frost & Sullivan. We are one of China’s leading sales platforms

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among all retailers selling MBC Products in terms of retail sales value in 2014, according to Frost & Sullivan. The retail sales value of China's babies and children's sports apparel and footwear product market grew at a CAGR of 12.1% from 2010 to 2014 and is expected to grow at a CAGR of 16.0% from 2014 to 2019, according to Frost & Sullivan. We are the largest retailer of babies and children's sports apparel and footwear in China in terms of retail sales value in 2014, according to Frost & Sullivan. We strive to continue to maintain our market-leading positions in these fast-growing markets.

Consumer demand for our MBC Products is also affected by China's birthrate. China's birthrate grew from 11.9‰ in 2010 to 12.4‰ in 2014 and is expected to reach 12.8‰ in 2019, according to Frost & Sullivan. China's birthrate is in part driven by its family planning policies. In 2002, the Chinese government relaxed its one-child policy by allowing couples both of whom are from one-child families to have a second child. In November 2013, the Chinese government further relaxed its one-child policy by allowing families to have two children if one of the parents is from a one-child family. In December 2015, the Chinese government amended the Population and Family Planning Law of the People's Republic of China (中華人民共和國人口與計劃生育法), and these amendments came into effect on January 1, 2016, abolishing the decades-long one-child policy, allowing all couples to have two children.

### Expansion and Performance of Our Online Sales

Our omni-channel sales network includes an online sales network, an offline sales network and a mobile application, mamahao (媽媽好). Our revenue from continuing operations from the online sales segment recorded significant growth and accounted for an increasing percentage of our total revenue from continuing operations during the Track Record Period. Our revenue from continuing operations from the online sales segment increased substantially to RMB352.3 million in 2013 compared to RMB99.1 million 2012, increased by 91.3% to RMB674.1 million in 2014, and increased by 41.3% to RMB670.7 million in the ten months ended October 31, 2015 compared to RMB474.8 million in the same period of the prior year. The online sales segment contributed 5.2%, 15.2%, 22.0% and 22.4% of our total revenue from continuing operations in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. These increases were driven in part by the growth of online sales in the overall MBC Product industry. The retail sales value of China's online sales of MBC Products (including sports & leisure brands products for babies and children) increased at a CAGR of 22.5% from 2010 to 2014 and is expected to grow at a CAGR of 20.7% from 2014 to 2019, according to Frost & Sullivan.

We sell products through three online sales channels: (i) direct sales to end-customers (a) through our own web-based sales platform, haohaizi.com, (b) through our flagship stores on third-party online sales platforms, including Tmall and Dangdang, and (c) through Mothercare UK's web-based sales platform in China, cn.mothercare.com (all of which we refer to as self-operated online retail sales channels); (ii) sales to our online key accounts, such as JD, who on-sell the products to end-customers on their own retail platforms; and (iii) sales to authorized third-party online retailers, who on-sell the products to end-customers online.

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As a measure of effectiveness in attracting customers, the self-operated online sales channels had approximately 170,000, 450,000 and 717,000 active customers in 2012, 2013 and 2014, respectively. The self-operated online sales channels also had approximately 499,000 and 606,000 active customers in the ten months ended October 31, 2014 and 2015, respectively. The significant growth of the online sales segment during the Track Record Period was also attributable to our strengthened cooperation with our online key accounts (particularly JD), increases in the number of our authorized third-party online retailers and their increases in sales. For sales to our online key accounts (item (ii) above), we had no online key account as of January 1, 2012, and had three, three, four and seven online key accounts as of December 31, 2012, 2013 and 2014 and October 31, 2015, respectively. For our sales to authorized third-party online retailers (item (iii) above), we had no authorized third-party online retailer as of January 1, 2012, and had 19, 58, 110 and 145 authorized third-party online retailers as of December 31, 2012, 2013 and 2014 and October 31, 2015, respectively. We are devoting increasing resources to raising our penetration through online sales channels, and we expect online sales to account for a greater percentage of our future total revenue. See “Business—Our Omni-Channel Sales Platform—Our Online Sales Network” and “Risk Factors—Risks Relating to Our Business and Industry—We may not be successful in sustaining growth in our financial performance and we may experience earnings declines or losses in the future” for more information.

### **Scale, Expansion and Performance of Our Offline Sales Network**

Our business growth depends significantly on the scale and expansion of our offline sales network. Our revenue from continuing operations from offline sales (including the self-operated offline retail and offline others segments) increased by 8.0% from RMB1,824.9 million in 2012 to RMB1,971.6 million in 2013, by 21.2% to RMB2,389.2 million in 2014, and by 15.0% from RMB2,026.5 million in the ten months ended October 31, 2014 to RMB2,330.2 million in the same period of 2015. Our revenue from continuing operations from offline sales accounted for 94.8%, 84.8%, 78.0% and 77.6% of our revenue from continuing operations in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. We have an offline sales network spanning all 31 provinces of China. Our offline sales network consists of self-operated stores, stores operated by authorized third-party offline retailers, third-party maternity and childcare specialty stores, supermarkets and hypermarkets, offline distributors and other offline customers. See “Business—Our Omni-Channel Sales Platform—Our Offline Sales Network” and “Risk Factors—Risks Relating to Our Business and Industry—We may not be successful in sustaining growth in our financial performance and we may experience earnings declines or losses in the future” for more information. We have opened and plan to open 539 self-operated stores from November 1, 2015 to December 31, 2016. We expect our offline sales to continue to grow in the foreseeable future with the opening of new stores within our offline sales network and the increases of their sales.

The enhanced performance of self-operated stores also contributed to our revenue growth. The performance of a store typically depends on its location, consumer traffic, brand offerings, product mix, competition, maturity, floor area, marketing campaigns, and the spending propensity and disposable income of its targeted consumers. Despite a slowdown in growth in China’s retail industry during the Track Record Period, we achieved encouraging nationwide same-store sales growth at Comparable Stores. The average revenue of Comparable Stores for all brands increased by 5.4% in 2014 compared to 2013 and by 3.8% in the ten months ended October 31, 2015 compared to the same period of 2014. Particularly, the average revenue of our Comparable Stores for the sports & leisure brands increased by 5.4% in 2014 compared to 2013 and by 8.0% in the ten months ended October 31, 2015 compared to the same period of 2014.

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### **Quality and Quantity of Brands Within Our Brand Portfolio**

The quality and quantity of brands within our brand portfolio are key to our results of operations and our ability to maintain market-leading positions in China's MBC Product retail markets. We sell a wide variety of MBC Products, including sports & leisure brands products for babies and children, to differentiated demographic groups under a number of well-known brands. See "Business—Our Brands and Products—Brands" for more information on these brands. These are all popular leading brands in China and their products are much sought-after by consumers. This strong portfolio of brands has helped us and our authorized third-party offline retailers to obtain prime locations and negotiate favorable rentals and concession fees for offline stores. We believe that we also benefit from the high quality of this brand portfolio when seeking authorizations from new premium brands.

Our profitability is affected by the mix of brands and products we offer. We offered products under the brands of Goodbaby, Happy Dino and Nike in our continuing operations as of January 1, 2012. As of December 31, 2012, 2013 and 2014 and October 31, 2015, we had two, four, eight and 11 leading international sports & leisure brands in our brand portfolio. In addition, we have established a joint venture with Mothercare UK, Mothercare-Goodbaby JV, to sell Mothercare Brands products under the authorization of Mothercare UK. The different brand companies vary in product mix, product pricing strategies, as well as terms on discounts and rebates, sales targets, credit and limitations on distribution areas and channels.

We believe that establishing and maintaining mutually beneficial relationships with our brand companies is essential to our success. We rely on our brand companies to provide us with sufficient quantities of high quality products that consumers demand. See "Risk Factors—Risks Relating to Our Business and Industry—Failure to maintain good relationships with or secure competitive terms from brand companies may materially and adversely affect our profitability, business and prospects" for our reliance on certain brand companies. We strive to maintain an optimal brand portfolio by strengthening our strategic business relationships with our existing brand companies and adding prime brands to our brand portfolio.

### **Product Pricing and our Costs of Outsourced Production**

Our profitability is affected by the pricing of the products we purchase and sell and our costs of outsourced production. Our gross profit represents the difference between (i) our revenue from selling the products to our customers and (ii) our cost of sales, which primarily consists of our costs of purchasing products from the brand companies and our costs for products we outsource.

Our costs of purchasing products from the brand companies accounted for 85.0%, 82.5%, 81.3% and 81.9% of our total cost of sales from continuing operations in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. The brand companies typically sell products to us at various discounts to their suggested retail prices and may provide rebates to us. The amounts of these discounts and rebates vary depending on the brand companies' brand positioning, marketing strategies, types of products, raw material prices and other costs, and our bargaining power and relationship with them. We sell products to our customers (other than end-customers) at various discounts to the suggested retail prices, and we may also provide rebates and subsidies to certain of these customers, typically authorized third-party online retailers (for rebates only), authorized third-party offline

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retailers and offline distributors. The amounts of these discounts, rebates and subsidies depend on competition, the required gross profit margins of us and these customers, our marketing strategies, and our ability to control costs and expenses. The amounts of the discounts we offer to end-customers hinge on competition, our marketing strategies and our ability to control costs and expenses. Any significant fluctuation in the discounts, rebates or subsidies that we receive from the brand companies or that we provide to our customers (as applicable) may materially affect our results of operations.

We outsource the production of our apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB to a number of OEM contractors. Our costs of purchasing outsourced products from our OEM contractors accounted for 12.3%, 15.6%, 17.7% and 17.2% of our total cost of sales from continuing operations in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. Cost of labor and raw materials and other expenses of the OEM contractors affect our cost of purchasing products from them. For relatively large orders, we typically use a bidding process to select qualified OEM contractors. We also strive to leverage our bargaining power with the OEM contractors to control our purchase costs. Our performance depends on our ability to pass the costs of outsourced production onto our customers, and our ability to locate and effectively manage OEM contractors that can fill our orders at commercially acceptable prices with high product quality. Please see “Risk Factors—Risks Relating to Our Business and Industry—We rely on third-party OEM contractors for the manufacturing of our apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB. Our brand image and business may be negatively affected by the performance of or disruption in supply of our OEM contractors” for more information.

### **Concession Fees and Rent**

The concession fees and rent that we pay to operate our self-operated stores and the concession fees that we pay supermarkets and hypermarkets, with which we have concession arrangements, have a significant effect on our profitability.

We operate most of our stores in department stores and a small portion of our stores in shopping malls under concession arrangements, and we have concession arrangements with a number of supermarkets and hypermarkets. For these stores, supermarkets and hypermarkets we pay concession fees pursuant to our concession agreements. These fees are in exchange for the use of retail and storage space. They are typically equal to a percentage of the monthly revenue that these stores generate or a percentage of our revenue generated from sales through these supermarkets or hypermarkets under concession arrangements; in certain cases, they are subject to minimum guaranteed amounts.

We pay rent for most of the self-operated stores in shopping malls and all of the street-level self-operated stores, pursuant to lease arrangements with the shopping malls or landlords. The rent we pay may be a fixed amount, an amount equal to a percentage of the store’s monthly revenue or a combination of both.

We recognize these concession fees and rent as part of our selling and distribution expenses. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our concession fees amounted to RMB212.2 million, RMB241.3 million, RMB293.5 million and RMB306.4 million, respectively,



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accounting for 11.0%, 10.4%, 9.6% and 10.2% of our revenue from continuing operations during these same respective periods. In these same respective periods, rentals and property management fees recognized in our selling and distribution expenses amounted to RMB46.7 million, RMB65.0 million, RMB92.4 million and RMB86.3 million, accounting for 2.4%, 2.8%, 3.0% and 2.9% of our revenue from continuing operations. As we open additional stores or expand our existing stores' floor space or as a result of rising rent levels, we expect that the amounts we pay as concession fees and rent will continue to grow in the foreseeable future.

### Staff Costs

Our staff costs have a significant impact on our profitability. Our staff costs primarily include wages and salaries, sales commissions, bonus, social security and housing fund contributions for our employees, including our sales personnel who work at self-operated stores and those that manage our online and offline sales network, as well as our administrative personnel. The staff costs recognized in selling and distribution expenses and administrative expenses were RMB306.1 million, RMB369.3 million, RMB446.2 million and RMB388.4 million in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively, accounting for 15.9%, 15.9%, 14.5% and 12.9% of our total revenue from continuing operations in these respective periods. As we continue to expand self-operated stores, increase our penetration through online sales channels and grow our offline sales channels, we expect that our staff costs will grow in the foreseeable future. Our staff costs may also increase as we compete for talent and experienced personnel. See "Risk Factors—Risks Relating to Our Business and Industry—Our success depends on our ability to retain our senior management team and to recruit, train and retain qualified personnel" for more information.

### CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for you to understand our financial condition and results of operations, are set forth in detail in Notes 3 and 4 to "Appendix I—Accountants' Report" to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We have set forth below those accounting policies that we believe involve the most significant estimates and judgments used in preparing of our financial statements.

### Revenue Recognition

We recognize revenue when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably, on the following bases:

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



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- (b) from the rendering of services, when the services have been provided;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

### **Inventories**

We state inventories at the lower of cost and net realizable value. We determine cost on the weighted average basis, and in the case of work-in-progress and finished goods, cost comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

We make provision for foreseeable losses as soon as we anticipate them.

### **Provisions**

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

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

### **Property, plant and equipment and depreciation**

We state property, plant and equipment, other than construction in progress, at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, we do not depreciate it and we account it for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises our purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over the estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5%
Plant and machinery	9% - 18%
Motor vehicles	18% - 31.67%
Furniture and fixtures	9% - 31.67%
Leasehold improvements	20% - 50%

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

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

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

### **Income Tax**

Income tax comprises current and deferred tax. For income tax relating to items recognized outside profit or loss, we recognize it outside profit or loss, either in other comprehensive income or directly in equity.

We measure current tax assets and liabilities at the amount we expect to recover from or pay to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year, taking into consideration interpretations and practices prevailing in the countries in which we operate.

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

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We recognize deferred tax liabilities for all taxable temporary differences, except:

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

We recognize deferred tax assets for all deductible temporary differences and carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except:

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

We review the carrying amount of deferred tax assets at the end of each reporting period and reduce that amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. We reassess unrecognized deferred tax assets at the end of each reporting period and recognize those deferred tax assets to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

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

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

### **Government Grants**

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

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Where the grant relates to an asset, we credit the fair value to a deferred income account and release the fair value to profit or loss over the expected useful life of the relevant asset by equal annual installments.

### **Share-based Payments**

We operate share option schemes to provide incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including senior executives) receive part of their remuneration in the form of share-based payments, whereby our employees render services as consideration for equity instruments (“**equity-settled transactions**”).

We measure the cost of equity-settled transactions with employees by reference to the fair value at the date at which the equity instruments are granted. An external valuer determines the fair value using a binomial model, further details of which are given in Note 32 to “Appendix I—Accountants’ Report” to this prospectus.

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

We do not recognize any expense for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. We treat these as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

### **Discontinued operation**

A discontinued operation is a component of our business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation

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occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income and profit or loss is restated as if the operation had been discontinued from the beginning of the comparative period.

### **Judgments**

#### *Consolidation of a structured entity*

We believe that we controlled Shanghai Goodbaby Child Products Co., Ltd. (“SGCP”) during the years ended December 31, 2012, 2013 and 2014 and the period from January 1, 2015 to September 17, 2015, even though the equity interests in SGCP were directly held 90% by Mr. Song and 10% by Ms. Fu. This is because pursuant to a series of contractual arrangements entered into among us, Mr. Song, Ms. Fu and SGCP, we had the rights to variable returns from our involvement with SGCP and have the ability to affect those returns through our power over SGCP based on these contractual arrangements. On September 17, 2015, we terminated these contractual arrangements, and Mr. Song and Ms. Fu transferred the entire equity interest in SGCP to us.

### **Estimation Uncertainty**

#### *Provision for impairment of trade and notes receivables*

Our provision policy for impairment of trade and notes receivables is based on ongoing evaluations of the collectability and aging analysis of the outstanding receivables. Where the actual outcome is different from the original estimate, actual write-offs will be higher than estimated.

#### *Provision for slow-moving inventories*

We make provision for slow-moving inventories based on the aging analysis and estimated net realizable value of inventories. Our assessment of the provision amount requires our judgment and estimates. Where the actual outcome is ultimately different from our original estimate, this differences will impact the carrying value of inventories and provision charge/write back in the period in which our estimate has changed.

#### *Share-based payments*

We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

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### DESCRIPTION OF SELECTED LINE ITEMS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following discussion summarizes components of selected line items of consolidated statements of profit or loss and other comprehensive income appearing in “Appendix I—Accountants’ Report” to this prospectus that we believe may be helpful in understanding the period-to-period discussions that follow.

#### Continuing Operations

##### Revenue

We generated our revenue from sales of MBC Products during the Track Record Period. Our revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and net of rebates that we paid to our authorized third-party online retailers, authorized third-party offline retailers and offline distributors. Our revenue from continuing operations increased by 20.8% in 2013 compared to 2012, by 31.8% in 2014 compared to 2013, and by 20.0% in the ten months ended October 31, 2015 compared to the same period of the prior year.

We normally purchase products from our brand companies at various discounts to their suggested retail prices. We receive rebates from certain brand companies when we achieve sales targets agreed with them, and we recognize our cost of sales net of these rebates. During the Track Record Period, we outsourced the production of our apparel for babies and children and maternity and babycare products under the brands of Goodbaby and Family by GB to a number of OEM contractors, except for a small portion of our Goodbaby-branded baby soothing toys that we produced ourselves prior to August 2013 and a small portion of our Goodbaby-branded baby underwear products that we produced ourselves prior to August 2012. These baby soothing toys were manufactured by a baby soothing toys cash-generating unit that we acquired from a third party in December 2010. We have continued to sell baby soothing toys since we ceased manufacturing baby soothing toys and outsourced the manufacture of these products to OEM contractors in August 2013. For more information on this baby soothing toys cash-generating unit, see pages I-56 and I-57 of “Appendix I—Accountants’ Report” to this prospectus. For products that we purchased from the brand companies, we sell these products to our customers at prices that are a markup from our own purchases of them. For products that we outsourced to OEM contractors to produce or that we produced, we sell these products to our customers at prices that we set mainly based on our competitors’ prices, our marketing strategies, product demand and supply, product categories, spending patterns of target consumers, historical sales data, our cost of outsourced production, our expected gross profit margins, and the credit terms we provide to the online key accounts, supermarkets and hypermarkets and other offline customers. We provide rebates to certain authorized third-party online retailers, authorized third-party offline retailers and offline distributors that sell our Goodbaby-branded maternity and babycare products, if they achieve the sales targets agreed with us, and we recognize our revenue net of these rebates. We at times provide subsidies to our authorized third-party offline retailers and offline distributors to support their marketing campaigns and opening of new stores, and we recognize these subsidies in our marketing expenses.

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The following table sets forth our revenue from continuing operations by segment and each segment's contribution to our total revenue from continuing operations for the periods indicated:

Segment	For the year ended December 31,						For the ten months ended October 31,			
	2012		2013		2014		2014		2015	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%
Online sales <sup>(1)</sup>	99,142	5.2	352,330	15.2	674,149	22.0	474,776	19.0	670,736	22.4
Self-operated										
offline retail <sup>(2)</sup>	1,250,226	64.9	1,482,095	63.8	1,766,987	57.7	1,511,893	60.4	1,781,662	59.3
Offline others <sup>(3)</sup>	574,671	29.9	489,470	21.0	622,186	20.3	514,647	20.6	548,538	18.3
<b>Total</b>	<b>1,924,039</b>	<b>100.0</b>	<b>2,323,895</b>	<b>100.0</b>	<b>3,063,322</b>	<b>100.0</b>	<b>2,501,316</b>	<b>100.0</b>	<b>3,000,936</b>	<b>100.0</b>

*Notes:*

- (1) Includes (i) our sales to end-customers on our own web-based sales platform, through the flagship stores that we operate on third-party online sales platforms and on cn.mothercare.com, the web-based sales platform of Mothercare UK in China; and (ii) our sales to online key accounts and authorized third-party online retailers, both of whom on-sell to end-customers.
- (2) Includes our sales to end-customers through our self-operated stores and our offline sales promotion events organized by our headquarters and branch offices.
- (3) Includes our sales to offline distributors, stores operated by our authorized third-party offline retailers, supermarkets and hypermarkets, third-party maternity and childcare specialty stores and other offline customers, and sales through supermarkets and hypermarkets under concession arrangements.

Our revenue from the online sales segment increased substantially to RMB352.3 million in 2013 compared to RMB99.1 million in 2012, increased by 91.3% in 2014 compared to 2013, and increased by 41.3% in the ten months ended October 31, 2015 compared to the same period of 2014. These increases were primarily due to (i) the significant expansion of our online sales network, including our opening of new flagship stores, our strengthened cooperation with our online key accounts (particularly JD) and increases in the number of and sales to our authorized third-party online retailers; (ii) our improved ability to attract and retain customers, partly due to our increased product offerings in online sales channels and our increased online sales events; and (iii) our marketing campaigns promoting products that are particularly suitable for online sales channels.

Our revenue from the self-operated offline retail segment increased by 18.5% in 2013 compared to 2012, by 19.2% in 2014 compared to 2013, and by 17.8% in the ten months ended October 31, 2015 compared to the same period of the prior year. These increases were primarily due to increases in the number of self-operated stores and the increased sales of self-operated stores; our launch of Kids Stations in January 2013 and the relatively higher sales growth for these stores; our opening of stores with greater floor space and more product offerings; and our addition of new sports & leisure brands to our brand portfolio. The increase in sales of the self-operated offline retail segment in 2013 was offset in part by our ceasing distributing a third-party brand company's maternity and baby care products beginning from October 2012, as we decided to focus on distributing these types of products under the Goodbaby Brands.



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Our revenue from the offline others segment decreased by 14.8% in 2013 compared to 2012, primarily because we ceased distributing maternity and baby care products of a third-party brand company beginning from October 2012 as discussed above. This decrease was also attributable to our lower sales of durable juvenile products under the Goodbaby Brands to other offline customers (mainly those who sell infant and baby formula and used Goodbaby Brands products as promotional gifts). Our revenue from the offline others segment increased by 27.1% in 2014 compared to 2013. This increase was primarily because we had additional offline distributors, stores (including Kids Stations) operated by our authorized third-party offline retailers, and third-party maternity and childcare specialty stores that contained Children's Sports Shoes Walls (寶寶鞋牆). This increase was also because we had higher sales of Goodbaby Brands products to other offline customers, and because we added new sports & leisure brands to our brand portfolio as discussed above. Our revenue from the offline others segment increased by 6.6% in the ten months ended October 31, 2015 compared to the same period of the prior year, primarily due to higher sales of sports & leisure brands products to authorized third-party offline retailers.

The following table sets forth our revenue from continuing operations by brand type and each brand type's contribution to our total revenue from continuing operations for the periods indicated:

Brand	For the year ended December 31,						For the ten months ended October 31,			
	2012		2013		2014		2014		2015	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%
							(unaudited)			
Goodbaby Brands and others <sup>(1)</sup> . . . . .	1,095,915	57.0	1,235,436	53.2	1,681,220	54.9	1,346,599	53.9	1,550,855	51.7
Goodbaby Brands . . . . .	962,959	50.0	1,235,436	53.2	1,677,978	54.8	1,344,852	53.8	1,541,832	51.4
- Durable juvenile products . . . . .	575,430	29.9	724,891	31.2	970,474	31.7	767,631	30.7	883,640	29.5
- Apparel for babies and children and maternity and baby care products . . . . .	387,529	20.1	510,545	22.0	707,504	23.1	577,221	23.1	658,192	21.9
Other brands . . . . .	132,956	7.0	—	—	3,242	0.1	1,747	0.1	9,023	0.3
Sports & leisure brands . . . . .	692,271	36.0	863,391	37.2	1,070,640	35.0	894,215	35.7	1,194,683	39.8
Mothercare Brands <sup>(2)</sup> . . . . .	135,853	7.0	225,068	9.6	311,462	10.1	260,502	10.4	255,398	8.5
<b>Total</b> . . . . .	<b>1,924,039</b>	<b>100.0</b>	<b>2,323,895</b>	<b>100.0</b>	<b>3,063,322</b>	<b>100.0</b>	<b>2,501,316</b>	<b>100.0</b>	<b>3,000,936</b>	<b>100.0</b>

*Notes:*

- (1) Includes our sales of products under the Goodbaby Brands; brands of products sold by our joint ventures (other than Mothercare-Goodbaby JV) starting from 2014; and a third-party brand, for which we ceased to be a distributor beginning from October 2012.
- (2) Includes sales of products under the Mothercare Brands by Mothercare-Goodbaby JV.

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Our revenue from sales of products under the Goodbaby Brands and other brands increased by 12.7% in 2013 compared to 2012, by 36.1% in 2014 compared to 2013 and by 15.2% in the ten months ended October 31, 2015 compared to the same period of the prior year. These increases were primarily due to our enhanced online sales operational abilities, particularly our marketing campaigns promoting products that are particularly suitable for online sales channels, including durable juvenile products and maternity and baby care products under the Goodbaby Brands. These increases were also driven by increases in the number of stores operated by us and our authorized third-party offline retailers for the Goodbaby Brands. As of December 31, 2012, 2013 and 2014, we had 748, 792 and 830 self-operated stores and 86, 101 and 128 stores operated by our authorized third-party offline retailers for the sales of products under the Goodbaby Brands, respectively. As of October 31, 2014 and 2015, we had 814 and 855 self-operated stores and 139 and 163 stores operated by our authorized third-party offline retailers for the sales of products under the Goodbaby Brands, respectively. In addition, we had 9, 10 and 13 self-operated stores for the brands of products sold by our joint ventures (other than Mothercare-Goodbaby JV) as of October 31, 2014, December 31, 2014 and October 31, 2015, respectively.

Our revenue from sales of products under the sports & leisure brands increased by 24.7% in 2013 compared to 2012, by 24.0% in 2014 compared to 2013 and by 33.6% in the ten months ended October 31, 2015 compared to the same period of the prior year. These increases were primarily due to the increases in the number of stores operated by us and our authorized third-party offline retailers for the sales of sports & leisure brands products, including Kids Stations that we launched in January 2013; the increases in sales by our self-operated stores; the addition of new sports & leisure brands to our brand portfolio; and for 2013 and 2014, each compared with the prior year, increases in the number of third-party maternity and childcare specialty stores that contained Children's Sports Shoes Walls to sell sports & leisure brands sports footwear. As of December 31, 2012, 2013 and 2014, we had 685, 774 and 978 self-operated stores; 176, 259 and 341 stores operated by our authorized third-party offline retailers; and 157, 433 and 853 third-party maternity and childcare specialty stores that contained Children's Sports Shoes Walls, respectively, for the sales of sports and leisure brands products. As of October 31, 2014 and 2015, we had 913 and 1,078 self-operated stores and 315 and 334 stores operated by our authorized third-party offline retailers, respectively, for the sales of sports & leisure brands products.

Revenue derived from sales of products under the Mothercare Brands by Mothercare-Goodbaby JV increased by 65.7% in 2013 compared to 2012, and by 38.4% in 2014 compared to 2013. These increases were primarily due to increases in the number of self-operated stores of Mothercare-Goodbaby JV for the sales of products under the Mothercare Brands, and higher sales of products under the Mothercare Brands through online sales channels beginning from 2013. As of December 31, 2012, 2013 and 2014, Mothercare-Goodbaby JV had 38, 66 and 90 self-operated stores for the sales of products under the Mothercare Brands, respectively. Revenue derived from sales of products under the Mothercare Brands by Mothercare-Goodbaby JV remained relatively stable at RMB255.4 million in the ten months ended October 31, 2015 compared to RMB260.5 million in the same period of the prior year. As of October 31, 2014 and 2015, Mothercare-Goodbaby JV had 82 and 100 self-operated stores for the sales of products under the Mothercare Brands, respectively.

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The following table sets forth our revenue from continuing operations by product category and each product category's contribution to our total revenue from continuing operations for the periods indicated:

Product category	For the year ended December 31,						For the ten months ended October 31,			
	2012		2013		2014		2014		2015	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%
							(unaudited)			
Durable juvenile products <sup>(1)</sup>	636,988	33.1	815,686	35.1	1,114,169	36.3	882,331	35.3	993,786	33.1
Non-durable products <sup>(2)</sup>	594,780	30.9	644,818	27.7	878,513	28.7	724,770	29.0	812,467	27.1
Sports products <sup>(3)</sup>	692,271	36.0	863,391	37.2	1,070,640	35.0	894,215	35.7	1,194,683	39.8
<b>Total</b>	<b>1,924,039</b>	<b>100.0</b>	<b>2,323,895</b>	<b>100.0</b>	<b>3,063,322</b>	<b>100.0</b>	<b>2,501,316</b>	<b>100.0</b>	<b>3,000,936</b>	<b>100.0</b>

*Notes:*

- (1) Includes our sales of durable juvenile products under the Goodbaby Brands and the Mothercare Brands.
- (2) Includes our sales of apparel, footwear, accessories and maternity and baby care products under the Goodbaby Brands and the Mothercare Brands.
- (3) Includes our sales of apparel, footwear and accessories under the sports & leisure brands.

### Cost of sales

Our cost of sales comprises primarily our costs of purchasing products from our brand companies and our OEM contractors and tax surcharges, net of rebates the brand companies pay to us. Before we ceased our own production of a small portion of our Goodbaby-branded baby soothing toys in August 2013 and our production of a small portion of our Goodbaby-branded baby underwear products in August 2012, our cost of sales also included raw materials and other production costs. During the Track Record Period, we outsourced the production of apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB to a number of OEM contractors. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our costs of purchasing outsourced products from our OEM contractors accounted for 12.3%, 15.6%, 17.7% and 17.2% of our total cost of sales from continuing operations, respectively.

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The following table sets forth our cost of sales from continuing operations by segment and each segment's contribution to our total cost of sales from continuing operations for the periods indicated:

Segment	For the year ended December 31,						For the ten months ended October 31,			
	2012		2013		2014		2014		2015	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%
							(unaudited)			
Online sales <sup>(1)</sup> . . . . .	62,093	5.9	238,658	18.7	453,119	26.1	317,128	22.6	435,016	26.3
Self-operated offline retail <sup>(2)</sup> . . . . .	608,735	57.9	731,664	57.4	875,998	50.4	752,493	53.5	856,827	51.9
Offline others <sup>(3)</sup> . . . . .	381,165	36.2	305,189	23.9	408,266	23.5	335,779	23.9	359,445	21.8
<b>Total</b> . . . . .	<u>1,051,993</u>	<u>100.0</u>	<u>1,275,511</u>	<u>100.0</u>	<u>1,737,383</u>	<u>100.0</u>	<u>1,405,400</u>	<u>100.0</u>	<u>1,651,288</u>	<u>100.0</u>

*Notes:*

- (1) Includes (i) our sales to end-customers on our own web-based sales platform, through the flagship stores that we operate on third-party online sales platforms and on cn.mothercare.com, the web-based sales platform of Mothercare UK in China; and (ii) our sales to online key accounts and authorized third-party online retailers, both of whom on-sell to end-customers.
- (2) Includes our sales to end-customers through our self-operated stores and our offline sales promotion events organized by our headquarters and branch offices.
- (3) Includes our sales to offline distributors, stores operated by our authorized third-party offline retailers, supermarkets and hypermarkets, third-party maternity and childcare specialty stores and other offline customers, and sales through supermarkets and hypermarkets under concession arrangements.

Our cost of sales increased by 21.2% in 2013 compared to 2012, by 36.2% in 2014 compared to 2013, and by 17.5% in the ten months ended October 31, 2015 compared to the same period of the prior year.

Our cost of sales for the online sales segment increased substantially to RMB238.7 million in 2013 compared to 2012, by 89.9% to RMB453.1 million in 2014 compared to 2013, and by 37.2% to RMB435.0 million in the ten months ended October 31, 2015 compared to the same period of 2014. These increases were primarily in line with the growth of online sales.

Our cost of sales for the self-operated offline retail segment increased by 20.2% to RMB731.7 million in 2013 compared to 2012, by 19.7% to RMB876.0 million in 2014 compared to 2013, and by 13.9% to RMB856.8 million in the ten months ended October 31, 2015 compared to the same period of 2014. These increases were primarily in line with the growth in sales of the self-operated offline retail segment.

Our cost of sales for the offline others segment decreased by 19.9% to RMB305.2 million in 2013 compared to 2012, primarily because we ceased selling maternity and baby care products of a third-party brand company beginning from October 2012, and because we had lower sales of

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Goodbaby Brands products to other offline customers. Our cost of sales for the offline others segment increased by 33.8% to RMB408.3 million in 2014 compared to 2013, and by 7.0% to RMB359.4 million in the ten months ended October 31, 2015 compared to the same period of the prior year, primarily in line with our offline others segment's sales growth.

The following table sets forth our cost of sales from continuing operations by product category and each product category's contribution to our total cost of sales from continuing operations for the periods indicated:

Product category	For the year ended December 31,						For the ten months ended October 31,			
	2012		2013		2014		2014		2015	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%
	(unaudited)									
Durable juvenile products <sup>(1)</sup>	404,381	38.4	522,046	40.9	734,964	42.3	576,283	41.0	651,651	39.5
Non-durable products <sup>(2)</sup>	252,917	24.1	252,078	19.8	369,815	21.3	300,990	21.4	337,253	20.4
Sports products <sup>(3)</sup>	394,695	37.5	501,387	39.3	632,604	36.4	528,127	37.6	662,384	40.1
<b>Total</b>	<b>1,051,993</b>	<b>100.0</b>	<b>1,275,511</b>	<b>100.0</b>	<b>1,737,383</b>	<b>100.0</b>	<b>1,405,400</b>	<b>100.0</b>	<b>1,651,288</b>	<b>100.0</b>

*Notes:*

- (1) Includes our sales of durable juvenile products under the Goodbaby Brands and the Mothercare Brands.
- (2) Includes our sales of apparel, footwear, accessories and maternity and baby care products under the Goodbaby Brands and the Mothercare Brands.
- (3) Includes our sales of apparel, footwear and accessories under the sports & leisure brands.

### Gross profit and gross profit margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage.

The following tables set forth our gross profits, gross profit contribution and gross profit margins for continuing operations by segment for the periods indicated:

Segment	For the year ended December 31,								
	2012			2013			2014		
	Gross profit			Gross profit			Gross profit		
	Amount	Contribution	margin	Amount	Contribution	margin	Amount	Contribution	margin
RMB ('000)	%	%	RMB ('000)	%	%	RMB ('000)	%	%	
Online sales <sup>(1)</sup>	37,049	4.2	37.4	113,672	10.8	32.3	221,030	16.7	32.8
Self-operated offline									
retail <sup>(2)</sup>	641,491	73.6	51.3	750,431	71.6	50.6	890,989	67.2	50.4
Offline others <sup>(3)</sup>	193,506	22.2	33.7	184,281	17.6	37.6	213,920	16.1	34.4
<b>Total</b>	<b>872,046</b>	<b>100.0</b>	<b>45.3</b>	<b>1,048,384</b>	<b>100.0</b>	<b>45.1</b>	<b>1,325,939</b>	<b>100.0</b>	<b>43.3</b>

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For the ten months ended October 31,

Segment	2014			2015		
	Amount	Contribution	Gross profit margin	Amount	Contribution	Gross profit margin
	RMB ('000)	% (unaudited)	%	RMB ('000)	%	%
Online sales <sup>(1)</sup>	157,648	14.4	33.2	235,720	17.5	35.1
Self-operated offline retail <sup>(2)</sup>	759,400	69.3	50.2	924,835	68.5	51.9
Offline others <sup>(3)</sup>	178,868	16.3	34.8	189,093	14.0	34.5
<b>Total</b>	<u>1,095,916</u>	<u>100.0</u>	43.8	<u>1,349,648</u>	<u>100.0</u>	45.0

*Notes:*

- (1) Includes (i) our sales to end-customers on our own web-based sales platform, through the flagship stores that we operate on third-party online sales platforms and on cn.mothercare.com, the web-based sales platform of Mothercare UK in China, and (ii) our sales to online key accounts and authorized third-party online retailers, both of whom on-sell to end-customers.
- (2) Includes our sales to end-customers through our self-operated stores and our offline sales promotion events organized by our headquarters and branch offices.
- (3) Includes our sales to offline distributors, stores operated by our authorized third-party offline retailers, supermarkets and hypermarkets, third-party maternity and childcare specialty stores and other offline customers, and sales through supermarkets and hypermarkets under concession arrangements.

Our gross profit for our continuing operations increased by 20.2% to RMB1,048.4 million in 2013 compared to 2012, by 26.5% to RMB1,325.9 million in 2014 compared to 2013, and by 23.2% to RMB1,349.6 million in the ten months ended October 31, 2015 compared to the same period of 2014. Our gross profit margin for our continuing operations remained relatively stable at 45.3% in 2012 and 45.1% in 2013. Our gross profit margin for our continuing operations decreased to 43.3% in 2014, primarily because a higher percentage of our revenue came from the online sales segment, which had a relatively lower gross profit margin, and because of a decrease in our gross profit margin for the offline others segment. Our gross profit margin for our continuing operations increased from 43.8% in the ten months ended October 31, 2014 to 45.0% in the same period of 2015, primarily due to increases in our gross profit margins for the online sales segment and the self-operated offline retail segment.

Our gross profit margin for the online sales segment decreased from 37.4% in 2012 to 32.3% in 2013, primarily because a higher percentage of our online sales came from sales to online key accounts and authorized third-party online retailers, which had lower gross profit margins than our self-operated online retail, and because of our increased promotions for the sales of products under the Goodbaby Brands. Our gross profit margin for the online sales segment remained relatively stable at 32.3% in 2013 and 32.8% in 2014. Our gross profit margin for the online sales segment increased from 33.2% in the ten months ended October 31, 2014 to 35.1% in the same period of 2015, primarily because a higher percentage of the online sales came from sales of maternity and baby care products under the Goodbaby Brands, which had relatively higher gross profit margins.

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Our gross profit margin for the self-operated offline retail segment remained relatively stable at 51.3%, 50.6% and 50.4% in 2012, 2013 and 2014, respectively. Our gross profit margin for the self-operated offline retail segment increased from 50.2% in the ten months ended October 31, 2014 to 51.9% in the same period of 2015. This increase was primarily because we had higher rebates from certain of our brand companies for sports & leisure brands and higher sales of higher-margin products under certain sports & leisure brands added to our brand portfolio since 2012.

Our gross profit margin for the offline others segment increased from 33.7% in 2012 to 37.6% in 2013. This increase was primarily because we distributed maternity and baby care products of a third-party brand company until October 2012, which had a relatively lower gross profit margin, and because in 2013 a higher percentage of our offline others segment's sales came from sales of maternity and baby care products under the Goodbaby Brands, which had a relatively higher gross profit margin. Our gross profit margin for the offline others segment decreased from 37.6% in 2013 to 34.4% in 2014, primarily because a higher percentage of our offline others segment's sales came from sales of sports & leisure brands products, which had a relatively lower gross profit margin, and because of our increased promotions for the sales of durable juvenile products under the Goodbaby Brands to other offline customers. Our gross profit margin for the offline others segment decreased from 34.8% in the ten months ended October 31, 2014 to 34.5% in the same period of 2015.

The following tables set forth our gross profits, gross profit contribution and gross profit margins for continuing operations by product category for the periods indicated:

Product category	For the year ended December 31,								
	2012			2013			2014		
	Amount	Contribution	Gross profit	Amount	Contribution	Gross profit	Amount	Contribution	Gross profit
			margin			margin			margin
RMB ('000)	%	%	RMB ('000)	%	%	RMB ('000)	%	%	
Durable juvenile products <sup>(1)</sup>	232,607	26.7	36.5	293,640	28.0	36.0	379,205	28.6	34.0
Non-durable products <sup>(2)</sup>	341,863	39.2	57.5	392,740	37.5	60.9	508,698	38.4	57.9
Sports products <sup>(3)</sup>	297,576	34.1	43.0	362,004	34.5	41.9	438,036	33.0	40.9
<b>Total</b>	<u>872,046</u>	<u>100.0</u>	45.3	<u>1,048,384</u>	<u>100.0</u>	45.1	<u>1,325,939</u>	<u>100.0</u>	43.3

Product category	For the ten months ended October 31,					
	2014			2015		
	Amount	Contribution	Gross profit	Amount	Contribution	Gross profit
			margin			margin
RMB ('000)	%	%	RMB ('000)	%	%	
Durable juvenile products <sup>(1)</sup>	306,048	27.9	34.7	342,135	25.3	34.4
Non-durable products <sup>(2)</sup>	423,780	38.7	58.5	475,214	35.2	58.5
Sports products <sup>(3)</sup>	366,088	33.4	40.9	532,299	39.5	44.6
<b>Total</b>	<u>1,095,916</u>	<u>100.0</u>	43.8	<u>1,349,648</u>	<u>100.0</u>	45.0

(unaudited)



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## FINANCIAL INFORMATION

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*Notes:*

- (1) Includes our sales of durable juvenile products under the Goodbaby Brands and the Mothercare Brands.
- (2) Includes our sales of apparel, footwear, accessories and maternity and baby care products under the Goodbaby Brands and the Mothercare Brands.
- (3) Includes our sales of apparel, footwear and accessories under the sports & leisure brands.

### **Other income and gains**

Our other income and gains primarily include government grants, sales of materials, service fee income, gross rental income, gain on wealth investment products, exchange gain, insurance and other claims, and bank interest income. The amounts and timing of our government grants are determined solely at the discretion of the relevant government authorities, and there is no assurance that we will continue to receive these government grants in the future. Our sales of materials represent income from our sales of ancillary materials such as shopping bags and replacement parts. Our service fee income primarily includes our commissions from third parties that sell products at our offline sales promotion events organized by our headquarters and branch offices, POS terminal expenses that we charged to our authorized third-party offline retailers, and fees charged for our after-sales services (such as repair and maintenance services). Our gross rental income was generated from leasing our investment properties to third parties under operating leases. We disposed of these properties in December 2013. Our exchange gain related primarily to our loans denominated in U.S. dollars and, to a lesser extent, the purchases of Mothercare Brands products by Mothercare-Goodbaby JV from Mothercare UK in pounds sterling. Our insurance and other claims represent compensations from insurers for damages to certain of our assets.

Our gain on wealth investment products represents our investment gain on short-term wealth investment products that we purchased from reputable commercial banks in China. In accordance with our internal wealth investment administration rules, we are only allowed to purchase short-term wealth investment products, typically those redeemable upon demand, issued by banking institutions. Our headquarter-level cash management department is responsible for selecting reputable commercial banks, assessing the relevant financial risks by considering our financial condition and cash flows and market conditions such as fluctuations of money market yields, and ascertaining a pool of wealth investment products for our Chief Executive Officer to approve. Our headquarter-level finance department led by our financial controller makes investments in wealth investment products, and a finance manager designated by our financial controller is responsible for carrying out the investments. Our internal audit department inspects the approval and investment processes and profits or losses of the wealth investment products. Different personnel are responsible for different stages of the investments and these personnel are subject to inspection by our internal audit department. When making these investments, the finance manager reports to our vice financial controller, who in turn reports to our financial controller. Our financial controller is required to timely follow and analyze the investment targets and returns of the wealth investment products, and, once spotting any adverse factor, must promptly notify our senior management, internal audit department and legal department and take corresponding protective measures to control our investment risks and ensure the security of our funds. For details of our financial controller's experience and qualification, see the section headed "Directors and Senior Management—Senior Management" of this prospectus. Our vice financial controller became a certified accountant in 2003, registered tax agent in 2005 and certified internal auditor in 2011. The current designated finance manager joined our accounting department in 1990.

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See “—Liquidity and Capital Resources—Other Current Financial Assets” for information on balances of our wealth investment products. We do not have any wealth investment products at the date of this prospectus, and we do not intend to purchase any wealth investment products in the foreseeable future.

The following table sets forth our other income and gains from continuing operations by category and each category as a percentage of our total revenue from continuing operations for the periods indicated:

	For the year ended December 31,						For the ten months ended October 31,			
	2012		2013		2014		2014		2015	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%
	(unaudited)									
Government grants . . . . .	3,313	0.2	12,872	0.5	10,338	0.3	8,659	0.4	26,150	0.9
Sales of materials . . . . .	1,123	0.1	942	0.0	2,060	0.1	1,970	0.1	3,232	0.1
Service fee income . . . . .	808	0.0	617	0.0	1,272	0.1	1,168	0.0	1,468	0.0
Gross rental income . . . . .	2,031	0.2	1,858	0.1	—	—	—	—	—	—
Gain on wealth investment products . . . . .	318	0.0	—	—	2,348	0.1	1,165	0.1	2,707	0.1
Exchange gain . . . . .	—	—	4,308	0.2	—	—	—	—	—	—
Insurance and other claims . . . . .	747	0.0	1,516	0.1	336	0.0	58	0.0	288	0.0
Bank interest income . . . . .	569	0.0	1,387	0.1	790	0.0	659	0.0	1,866	0.1
Others . . . . .	706	0.0	242	0.0	763	0.0	492	0.0	74	0.0
<b>Total</b> . . . . .	<b>9,615</b>	<b>0.5</b>	<b>23,742</b>	<b>1.0</b>	<b>17,907</b>	<b>0.6</b>	<b>14,171</b>	<b>0.6</b>	<b>35,785</b>	<b>1.2</b>

### Selling and distribution expenses

In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our selling and distribution expenses from continuing operations were RMB700.9 million, RMB849.5 million, RMB1,068.8 million and RMB1,021.6 million, respectively, representing 36.4%, 36.6%, 34.9% and 34.2% of our revenue from continuing operations for these same respective periods.

## FINANCIAL INFORMATION

The following table sets forth our selling and distribution expenses from continuing operations by category and each category as a percentage of our total revenue from continuing operations for the periods indicated:

	For the year ended December 31,						For the ten months ended October 31,			
	2012		2013		2014		2014		2015	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%
Staff costs . . . . .	244,101	12.7	293,401	12.6	366,054	11.9	290,671	11.5	326,196	10.9
Share option expense . . . . .	117	0.0	365	0.0	(127)	0.0	(1,058)	0.0	434	0.0
Concession fees . . .	212,248	11.0	241,260	10.4	293,508	9.6	240,548	9.6	306,380	10.2
Rentals and property management fees .	46,674	2.4	64,994	2.8	92,427	3.0	73,346	2.9	86,298	2.9
Depreciation and amortization . . . .	42,894	2.2	51,125	2.2	61,816	2.0	49,118	2.0	60,360	2.0
Marketing expenses <sup>(1)</sup> . . . . .	47,574	2.5	72,972	3.1	100,451	3.3	98,211	4.0	103,711	3.5
Department store, shopping mall and market charges <sup>(2)</sup> . . . . .	38,574	2.0	52,472	2.3	66,575	2.2	58,376	2.4	58,554	2.0
Logistics expenses .	44,620	2.3	45,379	2.0	61,236	2.0	46,968	1.9	52,865	1.8
Others <sup>(3)</sup> . . . . .	24,065	1.3	27,535	1.2	26,858	0.9	24,825	1.0	26,781	0.9
<b>Total</b> . . . . .	<u>700,867</u>	<u>36.4</u>	<u>849,503</u>	<u>36.6</u>	<u>1,068,798</u>	<u>34.9</u>	<u>881,005</u>	<u>35.3</u>	<u>1,021,579</u>	<u>34.2</u>

*Notes:*

- (1) Includes primarily promotion expenses for online sales channels, expenses for organizing procurement fairs and offline sales promotion events, subsidies we paid to our authorized third-party offline retailers and offline distributors to support their marketing campaigns and establishment of new stores, and royalty fees that we paid to a third party for our use of certain of its cartoon images and trademarks on certain of our baby care and baby apparel products.
- (2) Includes administrative expenses that we paid to department stores, shopping malls and supermarkets and hypermarkets under concession arrangements, such as promotion and other marketing expenses, credit card charges, utilities, property management fees and shopping cards expenses.
- (3) Includes primarily travelling expenses and office expenditures.

Staff costs as a percentage of our revenue from continuing operations were 12.7%, 12.6%, 11.9% and 10.9% in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. Staff costs increased by 20.2% to RMB293.4 million in 2013 compared to 2012, by 24.8% to RMB366.1 million in 2014 compared to 2013, and by 12.2% to RMB326.2 million in the ten months ended October 31, 2015 compared to the same period of the prior year. These increases were due to increases in average staff costs and headcount.

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Concession fees as a percentage of our revenue from continuing operations were 11.0%, 10.4%, 9.6% and 10.2% in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. Concession fees increased by 13.7% to RMB241.3 million in 2013 compared to 2012, by 21.7% to RMB293.5 million in 2014 compared to 2013, and by 27.4% to RMB306.4 million in the ten months ended October 31, 2015 compared to the same period of the prior year. These increases were primarily due to the growth of our self-operated offline retail and our establishment of additional stores under concession arrangements. See “—Significant Factors Affecting our Results of Operations—Concession Fees and Rent” for more information.

Rentals and property management fees as a percentage of our revenue from continuing operations were 2.4%, 2.8%, 3.0% and 2.9% in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. Rentals and property management fees increased by 39.3% to RMB65.0 million in 2013 compared to 2012, by 42.2% to RMB92.4 million in 2014 compared to 2013, and by 17.7% to RMB86.3 million in the ten months ended October 31, 2015 compared to the same period of the prior year. These increases were primarily due to the opening of additional self-operated stores under lease arrangements. See “—Significant Factors Affecting our Results of Operations—Concession Fees and Rent” for more information.

Depreciation and amortization (primarily of fixed assets within our self-operated stores) as a percentage of our revenue from continuing operations were 2.2%, 2.2%, 2.0% and 2.0% in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. Depreciation and amortization increased by 19.2% to RMB51.1 million in 2013 compared to 2012, primarily due to opening of additional stores. Depreciation and amortization increased by 20.9% to RMB61.8 million in 2014 compared to 2013, primarily due to the opening of new self-operated stores, offset in part by our disposal of certain investment properties in December 2013. Depreciation and amortization increased by 22.9% to RMB60.4 million in the ten months ended October 31, 2015 compared to the same period of the prior year, primarily due to opening of additional stores.

Marketing expenses as a percentage of our revenue from continuing operations were 2.5%, 3.1%, 3.3% and 3.5% in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. Marketing expenses increased by 53.4% to RMB73.0 million in 2013 compared to 2012 and by 37.7% to RMB100.5 million in 2014 compared to 2013. These increases were primarily due to our increased promotion expenses for online sales channels. Marketing expenses increased by 5.6% from RMB98.2 million in the ten months ended October 31, 2014 to RMB103.7 million in the same period of 2015.

Department store, shopping mall and market charges as a percentage of our revenue from continuing operations were 2.0%, 2.3%, 2.2% and 2.0% in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. Department store, shopping mall and market charges increased by 36.0% to RMB52.5 million in 2013 compared to 2012 and by 26.9% to RMB66.6 million in 2014 compared to 2013. These increases were primarily due to the establishment of new self-operated stores. Department store, shopping mall and market charges remained relatively stable at RMB58.6 million in the ten months ended October 31, 2015 compared to RMB58.4 million in the same period of the prior year.

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Logistics expenses as a percentage of our revenue from continuing operations were 2.3%, 2.0%, 2.0% and 1.8% in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. Logistics expenses increased by 1.7% to RMB45.4 million in 2013 compared to 2012 primarily because of our higher sales through self-operated online retail sales channels. This growth rate was lower than the 20.8% increase in our revenue from continuing operations, primarily due to our establishment of new warehouses, which significantly decreased the average distance for deliveries of the products we sold. Logistics expenses increased by 34.9% to RMB61.2 million in 2014 compared to 2013 and by 12.6% to RMB52.9 million in the ten months ended October 31, 2015 compared to the same period of the prior year. These increases were primarily in line with our sales growth, especially growth in sales of the self-operated online retail segment.

### Administrative expenses

In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our administrative expenses from continuing operations were RMB104.3 million, RMB119.4 million, RMB119.1 million and RMB109.0 million, respectively, equal to 5.4%, 5.1%, 3.9% and 3.6% of our revenue from continuing operations for these same respective periods.

The following table sets forth our administrative expenses from continuing operations by category and each category as a percentage of our total revenue from continuing operations for the periods indicated:

	For the year ended December 31,						For the ten months ended October 31,			
	2012		2013		2014		2014		2015	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000) (unaudited)	%	RMB ('000)	%
Staff costs . . . . .	61,967	3.2	75,883	3.3	80,148	2.6	61,197	2.4	62,155	2.0
Share option expense . . . . .	93	0.0	1,103	0.0	(1,094)	0.0	(101)	0.0	672	0.0
Rentals and property management fees . . . . .	4,580	0.2	8,288	0.4	10,362	0.3	8,387	0.3	9,287	0.3
Depreciation and amortization . .	7,359	0.4	7,394	0.3	4,576	0.2	2,110	0.1	3,711	0.1
Royalty fees <sup>(1)</sup> . .	6,771	0.4	10,306	0.4	13,719	0.5	12,019	0.5	12,076	0.4
Auditing expenses . . . . .	1,067	0.0	1,313	0.0	1,307	0.0	1,226	0.1	1,618	0.1
Listing expenses .	—	—	—	—	—	—	—	—	11,903	0.4
Others <sup>(2)</sup> . . . . .	22,450	1.2	15,102	0.7	10,061	0.3	9,403	0.4	7,597	0.3
<b>Total</b> . . . . .	<b>104,287</b>	<b>5.4</b>	<b>119,389</b>	<b>5.1</b>	<b>119,079</b>	<b>3.9</b>	<b>94,241</b>	<b>3.8</b>	<b>109,019</b>	<b>3.6</b>

*Notes:*

- (1) Represents royalty fees paid by Mothercare-Goodbaby JV to Mothercare UK for our use of its brands.
- (2) Includes primarily travel expenses and office expenditures.

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Staff costs for our administrative personnel as a percentage of our revenue from continuing operations were 3.2%, 3.3%, 2.6% and 2.0% in 2012, 2013 and 2014 and the ten months ended October 31, 2015. Staff costs for our administrative personnel increased by 22.5% to RMB75.9 million in 2013 compared to 2012, due to increases in average staff costs and headcount. Staff costs for our administrative personnel increased by 5.6% to RMB80.1 million in 2014 compared to 2013 and by 1.6% to RMB62.2 million in the ten months ended October 31, 2015, compared to the same period of 2014.

### **Other expenses**

Our other expenses primarily include our losses from disposals of fixed assets for stores that were closed, impairment of items of property, plant and equipment, cost of ancillary materials sold (such as shopping bags and replacement parts), foreign exchange losses, and one-off compensation that we paid to employees and offline distributors that we terminated. In 2012, 2013 and 2014 and the ten months ended October 31, 2015, our other expenses from continuing operations were RMB20.8 million, RMB9.7 million, RMB10.7 million and RMB9.6 million, respectively, equal to 1.1%, 0.4%, 0.3% and 0.3% of our revenue from continuing operations for these same respective periods. Our other expenses decreased by 53.5% in 2013 compared to 2012, primarily because we had impairment of property, plant and equipment of RMB14.8 million in 2012 relating to construction works that we ceased in 2012. Our other expenses increased by 10.7% in 2014 compared to 2013, primarily because we paid compensations to certain terminated employees and offline distributors when we ceased our business of producing and selling children's apparel for eight- to 16-year olds under the Goodbaby Brands in March 2014 after reassessing that business' market potential and profitability. Our other expenses remained relatively stable at RMB9.6 million in the ten months ended October 31, 2015 compared to RMB9.8 million in the same period of 2014.

### **Finance costs**

Our finance costs represent interest on bank loans wholly repayable within five years. We incurred finance costs from continuing operations of RMB12.7 million, RMB19.5 million, RMB20.6 million and RMB16.1 million in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. Our finance costs from continuing operations increased by 54.0% in 2013 compared to 2012, primarily because we had higher bank loans to fund our opening of new stores. Our finance costs from continuing operations increased by 5.7% in 2014 compared to 2013. Our finance costs from continuing operations decreased by 11.3% in the ten months ended October 31, 2015 compared to the same period of the prior year, primarily because we had lower average borrowings.

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### Income tax credit/(expense)

The following table sets forth our income tax credit/(expense) from continuing operations by category for the periods indicated:

	For the year ended December 31,			For the ten months ended October 31,	
	2012	2013	2014	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Current income tax — mainland					
China . . . . .	3,071	723	12,472	6,587	42,997
Deferred tax . . . . .	<u>(49,506)</u>	<u>14,325</u>	<u>15,317</u>	<u>16,791</u>	<u>12,006</u>
Income tax expense reported in profit or loss . . . . .	<u>(46,435)</u>	<u>15,048</u>	<u>27,789</u>	<u>23,378</u>	<u>55,003</u>

Pursuant to the rules and regulations of the Cayman Islands, our Company is not subject to any income tax in the Cayman Islands.

Our subsidiaries incorporated in Hong Kong were subject to profits tax at the rate of 16.5% during the Track Record Period. We made no provision for Hong Kong profits tax as we had no assessable profits arising in Hong Kong during the Track Record Period.

Our subsidiaries incorporated in China are subject to Chinese enterprise income tax at the rate of 25% on their respective assessable profits as determined in accordance with the EIT Law. In 2012, our PRC subsidiary, SHFS, enjoyed a 12.5% preferential enterprise income tax rate, because as a foreign invested manufacturing company, it had obtained an approval from the relevant Chinese tax authority to, starting from 2008, be exempt from the enterprise income tax for two years, followed by three years of a 12.5% preferential enterprise income tax rate in accordance with the EIT Law as then in effect. In addition, our PRC subsidiary, GCSQ, enjoyed a 20% preferential enterprise income tax rate in 2014 according to the Small Low-profit Enterprises Regulations.

According to the EIT Law and its implementation rules, dividends receivable by non-Chinese corporate residents from Chinese enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since January 1, 2008. We are subject to a 10% dividend withholding tax rate under Chinese law.

### Discontinued Operation

On March 10, 2015, we entered into a sales agreement with an independent third party to dispose of “Mama’s Goodbaby” business (the “**Discontinued Operation**”), which sold MBC Products under various third-party brands and was part of the businesses of SGCP. The Mama’s Goodbaby business was loss-making, primarily because given its “Big Box” format, its gross profit margins for sales of



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products (most of which were consumable products) under third-party brands (other than the brands within our brand portfolio) were relatively low, and its gross profits were insufficient to compensate for its operating expenses. The Discontinued Operation's gross profit margin decreased significantly in the ten months ended October 31, 2015 compared to the same period of 2014. This was primarily because the Group recorded a provision of approximately RMB9.1 million for the inventories of the Discontinued Operation (representing approximately a 17.8 percentage point decrease in the gross profit margin). We recorded this provision for inventories primarily because we decided to dispose of the Discontinued Operation in March 2015 and as such we expected to sell off the inventories of the Discontinued Operation at discounts to their carrying value. In 2012, 2013, 2014 and the ten months ended October 31, 2015, our continuing operations' revenue generated from sales of products to the Discontinued Operation was RMB16.9 million, RMB14.5 million, RMB22.0 million and RMB5.9 million, respectively. During these same respective periods, our continuing operations' gross profit generated from sales of products to the Discontinued Operation was RMB3.4 million, RMB2.9 million, RMB4.4 million and RMB1.2 million. These intra-group transactions were eliminated when preparing our consolidated statements of profit or loss and other comprehensive income. We recorded the results of operations of Mama's Goodbaby business as a discontinued operation during the Track Record Period. As of October 31, 2015, we had completed the disposal of the Discontinued Operation. That said, we continued to sell existing inventories that belonged to the Discontinued Operation until December 31, 2015. We do not expect to record items of the Discontinued Operation beginning from the year ending December 31, 2016. For more information, see Note 13 to "Appendix I—Accountants' Report" and "History, Reorganization and Corporate Structure—Our Corporate Developments—SGCP" in this prospectus.

The following table sets forth the results of operations of the Discontinued Operation during the periods indicated:

	For the year ended December 31,			For the ten months ended	
				October 31,	
	2012	2013	2014	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
	(Unaudited)				
Revenue . . . . .	119,956	133,999	190,513	167,735	51,094
Cost of sales . . . . .	(88,904)	(98,172)	(138,777)	(123,483)	(49,731)
Gross profit . . . . .	31,052	35,827	51,736	44,252	1,363
Operating expenses . . . . .	(61,281)	(71,749)	(106,804)	(90,847)	(86,785)
Loss of the discontinued operation . . . . .	(30,229)	(35,922)	(55,068)	(46,595)	(85,422)
Gain on the disposal of disposal groups constituting the discontinued operation . . . . .	—	—	—	—	12,968
Loss before tax from the discontinued operation . . . . .	<u>(30,229)</u>	<u>(35,922)</u>	<u>(55,068)</u>	<u>(46,595)</u>	<u>(72,454)</u>

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### RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period. The period-to-period discussions below focus on our continuing operations only.

	For the year ended December 31,			For the ten months ended October 31,	
	2012	2013	2014	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
				(unaudited)	
<b>CONTINUING OPERATIONS</b>					
<b>Revenue</b>					
Online sales . . . . .	99,142	352,330	674,149	474,776	670,736
Self-operated offline retail . . . .	1,250,226	1,482,095	1,766,987	1,511,893	1,781,662
Offline others . . . . .	574,671	489,470	622,186	514,647	548,538
<b>Total revenue . . . . .</b>	<b>1,924,039</b>	<b>2,323,895</b>	<b>3,063,322</b>	<b>2,501,316</b>	<b>3,000,936</b>
Cost of sales . . . . .	(1,051,993)	(1,275,511)	(1,737,383)	(1,405,400)	(1,651,288)
Gross profit . . . . .	872,046	1,048,384	1,325,939	1,095,916	1,349,648
Other income and gains . . . . .	9,615	23,742	17,907	14,171	35,785
Selling and distribution expenses .	(700,867)	(849,503)	(1,068,798)	(881,005)	(1,021,579)
Administrative expenses . . . . .	(104,287)	(119,389)	(119,079)	(94,241)	(109,019)
Other expenses . . . . .	(20,752)	(9,651)	(10,682)	(9,828)	(9,566)
Finance costs . . . . .	(12,679)	(19,524)	(20,637)	(18,110)	(16,065)
<b>Profit before tax from</b>					
<b>continuing operations . . . . .</b>	<b>43,076</b>	<b>74,059</b>	<b>124,650</b>	<b>106,903</b>	<b>229,204</b>
Income tax credit/(expense) . . . . .	46,435	(15,048)	(27,789)	(23,378)	(55,003)
<b>Profit for the year from</b>					
<b>continuing operations . . . . .</b>	<b>89,511</b>	<b>59,011</b>	<b>96,861</b>	<b>83,525</b>	<b>174,201</b>
<b>DISCONTINUED OPERATION</b>					
<b>Loss for the year/period from a</b>					
<b>discontinued operation . . . . .</b>	<b>(30,229)</b>	<b>(35,922)</b>	<b>(55,068)</b>	<b>(46,595)</b>	<b>(72,454)</b>
<b>Profit for the year/period . . . . .</b>	<b>59,282</b>	<b>23,089</b>	<b>41,793</b>	<b>36,930</b>	<b>101,747</b>
<b>Attributable to:</b>					
- Owners of the parent . . . . .	65,331	26,305	45,865	39,961	109,061
- Non-controlling interests . . . . .	(6,049)	(3,216)	(4,072)	(3,031)	(7,314)
	<u>59,282</u>	<u>23,089</u>	<u>41,793</u>	<u>36,930</u>	<u>101,747</u>

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### The Ten Months Ended October 31, 2015 Compared with the Ten Months Ended October 31, 2014

	For the ten months ended October 31,				
	2014		2015		2015 vs. 2014
	RMB ('000)	% of Revenue	RMB ('000)	% of Revenue	% Change
		from		from	
		Continuing		Continuing	
		Operations		Operations	
		(unaudited)			
<b>CONTINUING OPERATIONS</b>					
<b>Revenue</b>					
Online sales . . . . .	474,776	19.0	670,736	22.4	41.3
Self-operated offline retail . . . .	1,511,893	60.4	1,781,662	59.3	17.8
Offline others . . . . .	514,647	20.6	548,538	18.3	6.6
<b>Total revenue . . . . .</b>	<b>2,501,316</b>	<b>100</b>	<b>3,000,936</b>	<b>100</b>	<b>20.0</b>
Cost of sales . . . . .	(1,405,400)	(56.2)	(1,651,288)	(55.0)	17.5
Gross profit . . . . .	1,095,916	43.8	1,349,648	45.0	23.2
Other income and gains . . . . .	14,171	0.6	35,785	1.2	152.5
Selling and distribution expenses .	(881,005)	(35.3)	(1,021,579)	(34.2)	16.0
Administrative expenses . . . . .	(94,241)	(3.8)	(109,019)	(3.6)	15.7
Other expenses . . . . .	(9,828)	(0.4)	(9,566)	(0.3)	(2.7)
Finance costs . . . . .	(18,110)	(0.7)	(16,065)	(0.5)	(11.3)
<b>Profit before tax from</b>					
<b>continuing operations . . . . .</b>	<b>106,903</b>	<b>4.2</b>	<b>229,204</b>	<b>7.6</b>	<b>114.4</b>
Income tax expense . . . . .	(23,378)	(0.9)	(55,003)	(1.8)	135.3
<b>Profit for the period from</b>					
<b>continuing operations . . . . .</b>	<b>83,525</b>	<b>3.3</b>	<b>174,201</b>	<b>5.8</b>	<b>108.6</b>

#### Revenue

Our revenue increased by 20.0% from RMB2,501.3 million in the ten months ended October 31, 2014 to RMB3,000.9 million in the same period of 2015, due to increases in sales of each of our three segments.

Our revenue from the online sales segment increased by 41.3% from RMB474.8 million in the ten months ended October 31, 2014 to RMB670.7 million in the same period of 2015. This increase was primarily due to higher sales to authorized third-party online retailers, as we had 67 additional authorized third-party online retailers as of October 31, 2015 compared to October 31, 2014 and our authorized third-party online retailers increased their sales; higher sales to JD, one of our online key accounts, as we strengthened cooperation with it; and higher self-operated online retail, as our online flagship stores (particularly those on Tmall) increased sales and we opened new online flagship stores. This increase in sales of the self-operated online retail segment was also attributable to an increase

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in the number of active customers from approximately 499,000 in the ten months ended October 31, 2014 to approximately 606,000 in the same period of 2015. The increase in the number of active customers was due in part to an increase in the number of SKUs that we sold online from approximately 16,400 in the ten months ended October 31, 2014 to approximately 20,500 in the same period of 2015 and our continued online promotional campaigns. In addition, the growth of the online sales was attributable to our marketing campaigns promoting products that are particularly suitable for online sales channels, including maternity and baby care products and durable juvenile products under the Goodbaby Brands.

Our revenue from the self-operated offline retail segment increased by 17.8% from RMB1,511.9 million in the ten months ended October 31, 2014 to RMB1,781.7 million in the same period of 2015. This increase was primarily due to higher sales of sports & leisure brands products, including products under the sports & leisure brands added to our brand portfolio since 2012 (such as Adidas and PUMA). These higher sales of sports & leisure brands products were due in part to the opening of 165 additional self-operated stores for sports & leisure brands as of October 31, 2015 compared to October 31, 2014.

Our revenue from the offline others segment increased by 6.6% from RMB514.6 million in the ten months ended October 31, 2014 to RMB548.5 million in the same period of 2015. This increase was primarily due to our higher sales of products under the sports & leisure brands (including the brands added to our brand portfolio since 2012, such as Adidas) to authorized third-party offline retailers. These higher sales were due in part to the opening of 120 additional stores (including 45 additional Kids Stations) operated by our authorized third-party offline retailers as of October 31, 2015 compared to October 31, 2014.

### **Cost of sales**

Our cost of sales increased by 17.5% from RMB1,405.4 million in the ten months ended October 31, 2014 to RMB1,651.3 million in the same period of 2015. Our cost of sales for the online sales segment increased by 37.2% from RMB317.1 million in the ten months ended October 31, 2014 to RMB435.0 million in the same period of 2015. Our cost of sales for the self-operated offline retail segment increased by 13.9% from RMB752.5 million in the ten months ended October 31, 2014 to RMB856.8 million in the same period of 2015. Our cost of sales for the offline others segment increased by 7.0% from RMB335.8 million in the ten months ended October 31, 2014 to RMB359.4 million in the same period of 2015. These increases were generally in line with the growth in sales of these segments.

### **Gross profit**

Our gross profit increased by 23.2% from RMB1,095.9 million in the ten months ended October 31, 2014 to RMB1,349.6 million in the same period of 2015. Our gross profit margin increased from 43.8% in the ten months ended October 31, 2014 to 45.0% in the same period of 2015. This increase was primarily due to increases in our gross profit margins for the online sales segment and the self-operated offline retail segment.

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Our gross profit for the online sales segment increased by 49.5% from RMB157.6 million in the ten months ended October 31, 2014 to RMB235.7 million in the same period of 2015. Our gross profit margin for the online sales segment increased from 33.2% in the ten months ended October 31, 2014 to 35.1% in the same period of 2015. This increase was primarily because a higher percentage of the online sales came from sales of maternity and baby care products under the Goodbaby Brands, which had relatively higher gross profit margins.

Our gross profit for the self-operated offline retail segment increased by 21.8% from RMB759.4 million in the ten months ended October 31, 2014 to RMB924.8 million in the same period of 2015. Our gross profit margin for the self-operated offline retail segment increased from 50.2% in the ten months ended October 31, 2014 to 51.9% in the same period of 2015. This increase was primarily because we received higher rebates from certain of our brand companies for sports & leisure brands and we had higher sales of higher-margin products under certain sports & leisure brands added to our brand portfolio since 2012.

Our gross profit for the offline others segment increased by 5.7% from RMB178.9 million in the ten months ended October 31, 2014 to RMB189.1 million in the same period of 2015. Our gross profit margin for the offline others segment decreased from 34.8% in the ten months ended October 31, 2014 to 34.5% in the same period of 2015.

### **Other income and gains, net**

Our other income and gains increased significantly from RMB14.2 million in the ten months ended October 31, 2014 to RMB35.8 million in the same period of 2015. This increase was primarily due to an RMB17.5 million increase in government grants, primarily financial subsidies in recognition of our contribution to local economies and government subsidies for our office's decoration. As a percentage of revenue, our other income and gains increased from 0.6% in the ten months ended October 31, 2014 to 1.2% in the same period of 2015.

### **Selling and distribution expenses**

Our selling and distribution expenses increased by 16.0% from RMB881.0 million in the ten months ended October 31, 2014 to RMB1,021.6 million in the same period of 2015. This increase was primarily due to an RMB65.8 million increase in concession fees as our self-operated offline retail increased and we opened additional stores under concession arrangements; an RMB35.5 million increase in staff costs due to increases in average staff costs and headcount; an RMB13.0 million increase in rentals and property management fees, primarily due to the opening of additional self-operated stores under lease arrangements; and an RMB11.2 million increase in depreciation and amortization. As a percentage of revenue, our selling and distribution expenses decreased from 35.3% in the ten months ended October 31, 2014 to 34.2% in the same period of 2015, primarily due to a decrease in staff costs as a percentage of our total revenue (since a higher percentage of our revenue came from online sales, which typically require less sales personnel) and decreases in marketing expenses and department store, shopping mall and market charges as percentages of our total revenue.

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### **Administrative expenses**

Our administrative expenses increased by 15.7% from RMB94.2 million in the ten months ended October 31, 2014 to RMB109.0 million in the same period of 2015. This increase was primarily due to our incurrence of listing expenses of RMB11.9 million in the ten months ended October 31, 2015. As a percentage of revenue, our administrative expenses decreased from 3.8% in the ten months ended October 31, 2014 to 3.6% in the same period of 2015.

### **Other expenses**

Our other expenses remained relatively stable at RMB9.6 million in the ten months ended October 31, 2015 compared to RMB9.8 million in the same period of 2014. As a percentage of revenue, our other expenses decreased from 0.4% in the ten months ended October 31, 2014 to 0.3% in the same period of 2015.

### **Finance costs**

Our finance costs decreased by 11.3% from RMB18.1 million in the ten months ended October 31, 2014 to RMB16.1 million in the same period of 2015, primarily because we had lower average borrowings. As a percentage of revenue, our finance costs decreased from 0.7% in the ten months ended October 31, 2014 to 0.5% in the same period of 2015.

### **Profit before tax from continuing operations**

As a result of the foregoing, our profit before tax from continuing operations increased significantly from RMB106.9 million in the ten months ended October 31, 2014 to RMB229.2 million in the same period of 2015.

### **Income tax expense**

Our income tax expense increased significantly from RMB23.4 million in the ten months ended October 31, 2014 to RMB55.0 million in the same period of 2015, primarily due to our substantially higher profit before tax. Our effective tax rate increased from 21.9% in the ten months ended October 31, 2014 to 24.0% in the same period of 2015, primarily due to an RMB8.3 million increase in tax losses not recognized, offset in part by an RMB6.5 million increase in tax losses utilized, primarily in respect of the Discontinued Operation. These effective tax rates in both years were lower than the 25% statutory tax rate, primarily because of the effect of tax losses utilized, although that was offset in part by tax losses not recognized and expenses not deductible for tax purposes.

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### Profit for the period from continuing operations

As a result of the foregoing, our profit from continuing operations increased significantly from RMB83.5 million in the ten months ended October 31, 2014 to RMB174.2 million in the same period of 2015. Our profit from continuing operations margin increased from 3.3% in the ten months ended October 31, 2014 to 5.8% in the same period of 2015. This increase was due in part to a decrease in selling and distribution expenses as a percentage of our total revenue from 35.3% in the ten months ended October 31, 2014 to 34.2% in the same period of 2015. This decrease was primarily because a higher percentage of our revenue came from online sales and online sales typically require less sales personnel, and because marketing expenses and department store, shopping mall and market charges increased at a rate lower than that of total revenue. The increase in profit from continuing operations margin was also because our gross profit margin for continuing operations increased from 43.8% in the ten months ended October 31, 2014 to 45.0% in the same period 2015.

### The Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

	For the year ended December 31,				
	2013		2014		2014 vs. 2013
	RMB ('000)	% of Revenue from Continuing Operations	RMB ('000)	% of Revenue from Continuing Operations	% Change
<b>CONTINUING OPERATIONS</b>					
<b>Revenue</b>					
Online sales . . . . .	352,330	15.2	674,149	22.0	91.3
Self-operated offline retail . . . . .	1,482,095	63.8	1,766,987	57.7	19.2
Offline others . . . . .	489,470	21.0	622,186	20.3	27.1
<b>Total revenue . . . . .</b>	<b>2,323,895</b>	<b>100.0</b>	<b>3,063,322</b>	<b>100.0</b>	<b>31.8</b>
Cost of sales . . . . .	(1,275,511)	(54.9)	(1,737,383)	(56.7)	36.2
Gross profit . . . . .	1,048,384	45.1	1,325,939	43.3	26.5
Other income and gains . . . . .	23,742	1.0	17,907	0.6	(24.6)
Selling and distribution expenses . . . . .	(849,503)	(36.6)	(1,068,798)	(34.9)	25.8
Administrative expenses . . . . .	(119,389)	(5.1)	(119,079)	(3.9)	(0.3)
Other expenses . . . . .	(9,651)	(0.4)	(10,682)	(0.3)	10.7
Finance costs . . . . .	(19,524)	(0.8)	(20,637)	(0.7)	5.7
<b>Profit before tax from</b>					
<b>continuing operations . . . . .</b>	<b>74,059</b>	<b>3.2</b>	<b>124,650</b>	<b>4.1</b>	<b>68.3</b>
Income tax expense . . . . .	(15,048)	(0.7)	(27,789)	(0.9)	84.7
<b>Profit for the year from</b>					
<b>continuing operations . . . . .</b>	<b>59,011</b>	<b>2.5</b>	<b>96,861</b>	<b>3.2</b>	<b>64.1</b>



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### Revenue

Our revenue increased by 31.8% from RMB2,323.9 million in 2013 to RMB3,063.3 million in 2014, due to increases in sales of each of our three segments.

Our revenue from the online sales segment increased by 91.3% from RMB352.3 million in 2013 to RMB674.1 million in the 2014. This increase was primarily due to higher self-operated online retail, as our online flagship stores increased sales and we opened new online flagship stores; higher sales to our authorized third-party online retailers, as we had 52 more authorized third-party online retailers as of December 31, 2014 compared to the prior year, and our authorized third-party online retailers increased their sales; and higher sales to online key accounts (particularly JD). The increase in sales of the self-operated online retail segment was also attributable to an increase in number of active customers from approximately 450,000 in 2013 to approximately 717,000 in 2014. The increase in number of active customers was due in part to an increase in the number of SKUs that we sold online from approximately 13,200 in 2013 to approximately 20,000 in 2014 and our online promotional campaigns (particularly our special promotional campaign on November 11 (“Singles’ Day” in China)). In addition, the growth of the online sales was attributable to our marketing campaigns promoting products that are particularly suitable for online sales channels, including durable juvenile products and, to a lesser extent, maternity and babycare products under the Goodbaby Brands.

Our revenue from the self-operated offline retail segment increased by 19.2% from RMB1,482.1 million in 2013 to RMB1,767.0 million in 2014. This increase was primarily due to the opening of 276 additional self-operated stores (including 64 Kids Stations), and because of the increase in sales of the self-operated stores (particularly those for the sports & leisure brands) and our opening of stores with greater floor space and more product offerings. This increase was also due to our sales of products under newly-added sports & leisure brands, such as Adidas and PUMA.

Our revenue from our offline others segment increased by 27.1% from RMB489.5 million in 2013 to RMB622.2 million in 2014. This increase was primarily because we had 57 additional offline distributors, 109 additional stores (including 45 Kids Stations) operated by our authorized third-party offline retailers and 420 additional third-party maternity and childcare specialty stores that contained Children’s Sports Shoes Walls as of December 31, 2014 compared to the prior year. Other factors supporting the increase included higher sales of durable juvenile products under the Goodbaby Brands to other offline customers, higher sales of maternity and babycare products under the Goodbaby Brands to offline distributors and higher sales of products under newly-added sports & leisure brands such as Adidas and PUMA.

### Cost of sales

Our cost of sales increased by 36.2% from RMB1,275.5 million in 2013 to RMB1,737.4 million in 2014. Our cost of sales for the online sales segment increased by 89.9% from RMB238.7 million in 2013 to RMB453.1 million in 2014. Our cost of sales for the self-operated offline retail segment increased by 19.7% from RMB731.7 million in 2013 to RMB876.0 million in 2014. Our cost of sales for the offline others segment increased by 33.8% from RMB305.2 million in 2013 to RMB408.3 million in 2014. These increases were primarily due to growth in sales of these segments.

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### Gross profit

Our gross profit increased by 26.5% from RMB1,048.4 million in 2013 to RMB1,325.9 million in 2014. Our gross profit margin decreased from 45.1% in 2013 to 43.3% in 2014. This decrease was primarily because a higher percentage of our revenue came from online sales, which had a relatively lower gross profit margin, and because of a decrease in our gross profit margin for the offline others segment.

Our gross profit for the online sales segment increased by 94.4% from RMB113.7 million in 2013 to RMB221.0 million in 2014. Our gross profit margin for the online sales segment remained relatively stable at 32.3% in 2013 and 32.8% in 2014.

Our gross profit for the self-operated offline retail segment increased by 18.7% from RMB750.4 million in 2013 to RMB891.0 million in 2014. Our gross profit margin for the self-operated offline retail segment remained relatively stable at 50.6% in 2013 and 50.4% in 2014.

Our gross profit for the offline others segment increased by 16.1% from RMB184.3 million in 2013 to RMB213.9 million in 2014. Our gross profit margin for the offline others segment decreased from 37.6% in 2013 to 34.4% in 2014. The lower margin was primarily because a higher percentage of our offline others segment's sales came from sports-brand products (including sales to third-party maternity and childcare specialty stores that contained Children's Sports Shoes Walls), which had a relatively lower gross profit margin. This lower margin was also because of our increased promotions for the sales of durable juvenile products under the Goodbaby Brands to other offline customers.

### Other income and gains, net

Our other income and gains decreased by 24.6% from RMB23.7 million in 2013 to RMB17.9 million in 2014. This decline was primarily because we had an exchange gain of RMB4.3 million in 2013 primarily relating to our loans denominated in U.S. dollars, while we had no exchange gain in 2014. This decline was also due to an RMB2.5 million decrease in government grants, an RMB1.9 million decrease in gross rental income as we disposed of our investment properties in 2013, an RMB1.2 million decrease in insurance and other claims. These decreases were offset in part by an RMB2.3 million gain on wealth investment products in 2014, while we had no wealth investment products in 2013, and an RMB1.1 million increase in sales of materials. As a percentage of revenue, our other income and gains decreased from 1.0% in 2013 to 0.6% in 2014.

### Selling and distribution expenses

Our selling and distribution expenses increased by 25.8% from RMB849.5 million in 2013 to RMB1,068.8 million in 2014. This increase was primarily due to an RMB72.7 million increase in staff costs as a result of increases in both average staff costs and headcount, an RMB52.2 million increase in concession fees as we opened additional stores under concession arrangements, an RMB27.5 million increase in marketing expenses primarily as a result of our increased promotion expenses for online sales channels, an RMB27.4 million increase in rentals and property management fees primarily due to the opening of additional self-operated stores under lease arrangements, an RMB15.9 million increase in logistics expenses as we had significantly higher self-operated online retail sales, in

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particular as a result of our increased participation in online sales events, such as the special promotional campaigns held by online sales platforms in China on Singles' Day, an RMB14.1 million increase in department store, shopping mall and market charges primarily due to the establishment of new self-operated stores, and an RMB10.7 million increase in depreciation and amortization primarily due to the opening of additional self-operated stores. As a percentage of revenue, our selling and distribution expenses decreased from 36.6% in 2013 to 34.9% in 2014, primarily due to decreases in staff costs and concession fees as percentages of total revenue. These decreases were primarily because a higher percentage of our revenue came from online sales, which typically require less sales personnel and do not require us to pay concession fees.

### **Administrative expenses**

Our administrative expenses remained relatively stable at RMB119.4 million in 2013 and RMB119.1 million in 2014. As a percentage of revenue, our administrative expenses decreased from 5.1% in 2013 to 3.9% in 2014.

### **Other expenses**

Our other expenses increased by 10.7% from RMB9.7 million in 2013 to RMB10.7 million in 2014. This increase was primarily because we paid compensation to certain terminated employees and offline distributors when we ceased our business of producing and selling children's apparel for eight- to 16-year olds in March 2014. As a percentage of revenue, our other expenses remained relatively stable at 0.4% in 2013 and 0.3% in 2014.

### **Finance costs**

Our finance costs increased by 5.7% from RMB19.5 million in 2013 to RMB20.6 million in 2014. As a percentage of revenue, our finance costs remained relatively stable at 0.8% in 2013 and 0.7% in 2014.

### **Profit before tax from continuing operations**

As a result of the foregoing, our profit before tax from continuing operations increased by 68.3% from RMB74.1 million in 2013 to RMB124.7 million in 2014.

### **Income tax expense**

Our income tax expense increased by 84.7% from RMB15.0 million in 2013 to RMB27.8 million in 2014, primarily due to our significantly higher profit before tax. Our effective tax rate increased from 20.3% in 2013 to 22.3% in 2014. The higher effective tax rate was primarily due to an RMB6.2 million increase in expenses not deductible for tax purposes. This was offset in part by an RMB5.1 million increase in tax losses utilized, primarily in respect of the Discontinued Operation. The effective tax rates in both years were lower than the 25% statutory tax rate, primarily because of the effect of tax losses utilized, although that was offset in part by tax losses not recognized and expenses not deductible for tax purposes.

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### Profit for the year from continuing operations

As a result of the foregoing, our profit from continuing operations increased by 64.1% from RMB59.0 million in 2013 to RMB96.9 million in 2014. Our profit from continuing operations margin increased from 2.5% in 2013 to 3.2% in 2014. This increase was primarily because our selling and distribution expenses as a percentage of our total revenue decreased from 36.6% in 2013 to 34.9% in 2014, which was primarily because a higher percentage of our revenue came from online sales, and online sales typically require less sales personnel and do not require us to pay concession fees.

### The Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

	For the year ended December 31,				
	2012		2013		2013 vs. 2012
	RMB ('000)	% of Revenue from Continuing Operations	RMB ('000)	% of Revenue from Continuing Operations	% Change
<b>CONTINUING OPERATIONS</b>					
<b>Revenue</b>					
Online sales . . . . .	99,142	5.2	352,330	15.2	255.4
Self-operated offline retail . . . . .	1,250,226	64.9	1,482,095	63.8	18.5
Offline others . . . . .	574,671	29.9	489,470	21.0	(14.8)
<b>Total revenue . . . . .</b>	<b>1,924,039</b>	<b>100.0</b>	<b>2,323,895</b>	<b>100.0</b>	<b>20.8</b>
Cost of sales . . . . .	(1,051,993)	(54.7)	(1,275,511)	(54.9)	21.2
Gross profit . . . . .	872,046	45.3	1,048,384	45.1	20.2
Other income and gains . . . . .	9,615	0.5	23,742	1.0	146.9
Selling and distribution expenses . . . . .	(700,867)	(36.4)	(849,503)	(36.6)	21.2
Administrative expenses . . . . .	(104,287)	(5.4)	(119,389)	(5.1)	14.5
Other expenses . . . . .	(20,752)	(1.1)	(9,651)	(0.4)	(53.5)
Finance costs . . . . .	(12,679)	(0.7)	(19,524)	(0.8)	54.0
<b>Profit before tax from</b>					
<b>continuing operations . . . . .</b>	<b>43,076</b>	<b>2.2</b>	<b>74,059</b>	<b>3.2</b>	<b>71.9</b>
Income tax credit/(expense) . . . . .	46,435	2.5	(15,048)	(0.7)	(132.4)
<b>Profit for the year from</b>					
<b>continuing operations . . . . .</b>	<b>89,511</b>	<b>4.7</b>	<b>59,011</b>	<b>2.5</b>	<b>(34.1)</b>

### Revenue

Our revenue increased by 20.8% from RMB1,924.0 million in 2012 to RMB2,323.9 million in 2013. This increase was primarily a result of higher online sales and higher self-operated offline retail, offset in part by a decrease in the offline others segment's sales.

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Our revenue from the online sales segment increased substantially from RMB99.1 million in 2012 to RMB352.3 million in 2013. This increase was primarily due to higher self-operated online retail, as our online flagship stores increased sales and we opened new online flagship stores; higher sales to our authorized third-party online retailers, as we had 39 more authorized third-party online retailers as of December 31, 2013 compared to the prior year and our authorized third-party online retailers increased their sales; and higher sales to online key accounts (particularly JD). The increase in sales of the self-operated online retail segment was also attributable to an increase in the number of active customers from approximately 170,000 in 2012 to approximately 450,000 in 2013. The increase in the number of active customers was due in part to an increase in the number of SKUs that we sold online from approximately 3,600 in 2012 to approximately 13,200 in 2013 and our online promotional campaigns (particularly our Singles' Day special promotional campaign). In addition, the growth of the online sales was attributable to our marketing campaigns promoting products that are particularly suitable for online sales channels, including durable juvenile products under the Goodbaby Brands.

Our revenue from the self-operated offline retail segment increased by 18.5% from RMB1,250.2 million in 2012 to RMB1,482.1 million in 2013. This increase was primarily due to the opening of 161 additional self-operated stores and because of the increase in sales of the self-operated stores and our opening of stores with greater floor space and more product offerings. This increase was offset in part by our ceasing distributing a third-party brand company's maternity and baby care products beginning from October 2012.

Our revenue from the offline others segment decreased by 14.8% from RMB574.7 million in 2012 to RMB489.5 million in 2013. This decrease was primarily because we ceased distributing maternity and baby care products of a third-party brand company as discussed above. This decrease was also because we had lower sales of durable juvenile products under the Goodbaby Brands to other offline customers. These factors were offset in part by our higher sales of maternity and baby care products under the Goodbaby Brands.

### **Cost of sales**

Our cost of sales increased by 21.2% from RMB1,052.0 million in 2012 to RMB1,275.5 million in 2013. This increase was primarily due to higher cost of sales for the online sales and self-operated offline retail segments, offset in part by lower cost of sales for the offline others segment. Our cost of sales for the online sales segment increased substantially from RMB62.1 million in 2012 to RMB238.7 million in 2013, primarily due to online sales growth. Our cost of sales for the self-operated offline retail segment increased by 20.2% from RMB608.7 million in 2012 to RMB731.7 million in 2013, primarily due to growth in sales of the self-operated offline retail segment. Our cost of sales for the offline others segment decreased by 19.9% from RMB381.2 million in 2012 to RMB305.2 million in 2013, primarily due to a decrease in our offline others segment's sales.

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### Gross profit

Our gross profit increased by 20.2% from RMB872.0 million in 2012 to RMB1,048.4 million in 2013. Our gross profit margin remained relatively stable at 45.3% in 2012 and 45.1% in 2013.

Our gross profit for the online sales segment increased substantially from RMB37.0 million in 2012 to RMB113.7 million in 2013. Our gross profit margin for the online sales segment decreased from 37.4% in 2012 to 32.3% in 2013. This decrease was primarily because a higher percentage of the online sales came from our sales to online key accounts and authorized third-party online retailers, which had lower gross profit margins than our self-operated online retail channels. This decrease was also because of our increased promotions for the sales of products under the Goodbaby Brands.

Our gross profit for the self-operated offline retail segment increased by 17.0% from RMB641.5 million in 2012 to RMB750.4 million in 2013. Our gross profit margin for the self-operated offline retail segment remained relatively stable at 51.3% in 2012 and 50.6% in 2013.

Our gross profit for the offline others segment decreased from RMB193.5 million in 2012 to RMB184.3 million in 2013 compared to 2012. Our gross profit margin for the offline others segment increased from 33.7% in 2012 to 37.6% in 2013. This higher margin was primarily because we distributed maternity and baby care products of a third-party brand company until October 2012, which had a relatively lower gross profit margin, and because in 2013 a higher percentage of our offline others segment's sales came from maternity and baby care products under the Goodbaby Brands, which had a relatively higher gross profit margin.

### Other income and gains, net

Our other income and gains increased significantly from RMB9.6 million in 2012 to RMB23.7 million in 2013. This increase was primarily due to an RMB9.6 million increase in government grants, and an exchange gain of RMB4.3 million related to our loans denominated in U.S. dollars that we recorded in 2013, while we had no exchange gain in 2012. As a percentage of total revenue, our other income and gains increased slightly from 0.5% in 2012 to 1.0% in 2013.

### Selling and distribution expenses

Our selling and distribution expenses increased by 21.2% from RMB700.9 million in 2012 to RMB849.5 million in 2013. This increase was primarily due to an RMB49.3 million increase in staff costs as a result of increases in both average staff costs and headcount, an RMB29.0 million increase in concession fees as we opened new stores under concession arrangements, an RMB25.4 million increase in marketing expenses due to our increased promotion expenses for online sales, an RMB18.3 million increase in rentals and property management fees primarily due to the opening of additional self-operated stores under lease arrangements, and an RMB13.9 million increase in department store, shopping mall and market charges primarily due to the opening of new self-operated stores. As a percentage of revenue, our selling and distribution expenses remained relatively stable at 36.4% in 2012 and 36.6% in 2013.

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## FINANCIAL INFORMATION

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### **Administrative expenses**

Our administrative expenses increased by 14.5% from RMB104.3 million in 2012 to RMB119.4 million in 2013. This increase was primarily due to an RMB13.9 million increase in staff costs due to increases in both average staff costs and headcount. As a percentage of revenue, our administrative expenses remained relatively stable at 5.4% in 2012 and 5.1% in 2013.

### **Other expenses**

Our other expenses decreased by 53.5% from RMB20.8 million in 2012 to RMB9.7 million in 2013. This decrease was primarily because in 2012 we had impairment of property, plant and equipment of RMB14.8 million relating to construction works that we ceased in that year. As a percentage of revenue, our other expenses decreased from 1.1% in 2012 to 0.4% in 2013.

### **Finance costs**

Our finance costs increased by 54.0% from RMB12.7 million in 2012 to RMB19.5 million in 2013, primarily because we had higher bank loans to fund our opening of new stores. As a percentage of revenue, our finance costs remained relatively stable at 0.7% in 2012 and 0.8% in 2013.

### **Profit before tax from continuing operations**

As a result of the foregoing, our profit before tax from continuing operations increased by 71.9% from RMB43.1 million in 2012 to RMB74.1 million in 2013.

### **Income tax expense**

We had a tax credit of RMB46.4 million in 2012 and a tax expense of RMB15.0 million in 2013. We recognized a tax credit in 2012 primarily because we recognized a deferred tax credit of RMB49.5 million and tax losses utilized of RMB17.0 million, primarily with respect to the Discontinued Operation. These factors were offset in part by tax losses not recognized and expenses not deductible for tax purposes. We had an effective tax rate of 20.3% in 2013. This effective tax rate was lower than the 25% statutory tax rate, primarily because of the effect of tax losses utilized, although that was offset in part by tax losses not recognized and expenses not deductible for tax purposes.

### **Profit for the year from continuing operations**

As a result of the foregoing, our profit from continuing operations decreased by 34.1% from RMB89.5 million in 2012 to RMB59.0 million in 2013. Our profit from continuing operations margin decreased from 4.7% in 2012 to 2.5% in 2013, primarily because we had a tax credit of RMB46.4 million in 2012, while we recorded a tax expense of RMB15.0 million in 2013.



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### LIQUIDITY AND CAPITAL RESOURCES

#### Cash Flow

Our primary uses of cash during the Track Record Period were to pay for purchases of products from the brand companies and OEM contractors and for capital expenditures. We financed our liquidity requirements mainly through cash flows generated from our operating activities and bank loans.

The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated:

	For the year ended December 31,			For the ten months ended October 31,	
	2012	2013	2014	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
				(unaudited)	
Net cash flows generated from/(used in) operating activities . . . . .	33,405	96,797	240,866	162,277	(48,992)
Net cash flows generated from/(used in) investing activities . . . . .	(51,554)	(155,877)	(270,276)	(208,937)	71,185
Net cash flows generated from/(used in) financing activities . . . . .	70,713	161,656	(105,577)	(68,395)	67,296
Net increase/(decrease) in cash and cash equivalents . . . . .	52,564	102,576	(134,987)	(115,055)	89,489
Cash and cash equivalents at the beginning of year/period . . . . .	57,341	108,966	211,366	211,366	76,362
Cash and cash equivalents at the end of year/period . . . . .	108,966	211,366	76,362	96,306	166,490

#### Cash Flow Generated from/(Used in) Operating Activities

In the ten months ended October 31, 2015, we had net cash outflows from operating activities of RMB49.0 million, consisting of RMB211.7 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB236.6 million relating to changes in working capital and tax paid of RMB46.6 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before tax of RMB156.8 million (equal to our profit before tax from continuing operations of RMB229.2 million less our loss before tax from a discontinued operation of RMB72.5 million), adjusted for non-cash items, including primarily to add back RMB67.5 million in depreciation of property, plant and equipment and RMB16.1 million in finance costs and to deduct RMB13.0 million in gain on the

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disposal of discontinued operation. Our net cash outflows relating to changes in working capital were attributable to (i) an RMB161.0 million increase in trade and notes receivables, primarily due to our higher self-operated offline retail (particularly of sports & leisure brands products) using POS systems of department stores and shopping malls during China's National Day holidays in October and our higher credit sales to third-party retailers (particularly our increased sales to online key accounts such as JD) in anticipation of special Singles' Day promotional events, (ii) an RMB90.9 million increase in inventories, primarily due to our higher purchases of inventories (particularly inventories for sports & leisure brands, including those introduced to our brand portfolio since 2012) in preparation for winter sales, and (iii) an RMB11.9 million decrease in trade payables and amounts due to related parties, primarily due to an RMB82.7 million decrease in trade-related amounts due to related parties as we repaid the amounts that went due, offset in part by an RMB70.8 million increase in trade payables. These factors were offset in part by an RMB32.0 million increase in other payables and accruals.

In 2014, we had net cash inflows from operating activities of RMB240.9 million, consisting of RMB184.9 million in net cash inflows generated from operating activities before changes in working capital, net cash inflows of RMB56.9 million relating to changes in working capital and tax paid of RMB0.9 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before tax of RMB69.6 million (equal to our profit before tax from continuing operations of RMB124.7 million less our loss before tax from a discontinued operation of RMB55.1 million), adjusted for non-cash items, including primarily to add back RMB71.2 million in depreciation of property, plant and equipment, RMB20.6 million in finance costs, and RMB13.6 million in provision for impairment of inventories. Our net cash inflows relating to changes in working capital were attributable to an RMB157.6 million increase in trade payables and trade-related amounts due to related parties, primarily as a result of our higher level of sales. These factors were offset in part by (i) an RMB66.1 million increase in inventories, primarily in line with the expansion of our sales network, particularly our establishment of new stores, and (ii) an RMB30.0 million increase in trade and notes receivables, primarily in line with growth of our self-operated offline retail using POS systems of department stores and shopping malls and sales to online key accounts.

In 2013, we had net cash inflows from operating activities of RMB96.8 million, consisting of RMB128.4 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB26.7 million relating to changes in working capital and tax paid of RMB4.9 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before tax of RMB38.1 million (equal to our profit before tax from continuing operations of RMB74.0 million less our loss before tax from a discontinued operation of RMB35.9 million), adjusted for non-cash items, including primarily to add back RMB62.1 million in depreciation of property, plant and equipment and RMB19.5 million in finance costs. Our net cash outflows relating to changes in working capital were primarily attributable to (i) an RMB117.1 million increase in prepayments, deposits and other receivables, primarily due to increases in VAT deductible, deposits, government grants receivable and prepayments to suppliers, and (ii) an RMB94.6 million increase in inventories, primarily in line with the expansion of our sales network, particularly our establishment of new stores. These factors were offset in part by (i) an RMB149.5 million increase in trade payables and trade-related amounts due to related parties, primarily in line with our sales growth, and (ii) an RMB42.8 million increase in other payables and

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accruals, primarily due to increases in deposits, payables for property, plant and equipment, payables for promotion expenses, other tax payables and advances from customers.

In 2012, we had net cash inflows from operating activities of RMB33.4 million, consisting of RMB101.3 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB60.7 million relating to changes in working capital and tax paid of RMB7.2 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before tax of RMB12.8 million (equal to our profit before tax from continuing operations of RMB43.0 million less our loss before tax from a discontinued operation of RMB30.2 million), adjusted for non-cash items, including primarily to add back RMB53.5 million in depreciation of property, plant and equipment, RMB16.6 million in impairment of items of property, plant and equipment and RMB12.7 million in finance costs. Our net cash outflows relating to changes in working capital were attributable to (i) an RMB128.0 million increase in inventories, primarily in line with the expansion of our sales network, particularly our establishment of new stores, (ii) an RMB29.0 million increase in trade and notes receivables, primarily due to our higher credit sales, and (iii) an RMB10.7 million decrease in other payables and accruals. These were offset in part by (i) an RMB96.2 million increase in trade payables and trade-related amounts due to related parties, primarily in line with our increased sales, and (ii) an RMB10.7 million decrease in prepayments, deposits and other receivables.

### **Cash Flow Generated from /(Used in) Investing Activities**

In the ten months ended October 31, 2015, our net cash flows generated from investing activities were RMB71.2 million. This was mainly attributable to RMB108.2 million in proceeds from disposal of wealth investment products, RMB36.6 million in repayment of advances to related parties, an RMB30.0 million decrease in non-pledged time deposits, an RMB23.1 million net cash inflow in respect of disposal of discontinued operation and RMB10.1 million in proceeds from disposal of property, plant and equipment, prepaid land lease payments and investment properties. These factors were offset in part by RMB67.6 million in purchases of property, plant and equipment related primarily to renovation of new stores and RMB59.7 million in advances to related parties.

In 2014, our net cash flows used in investing activities were RMB270.3 million. This was mainly attributable to RMB121.7 million in purchases of property, plant and equipment related primarily to renovation of new stores, RMB108.0 million in purchase of wealth investment products, an RMB30.0 million increase in time deposits, and RMB24.3 million in non-interest bearing advances to related parties.

In 2013, our net cash flows used in investing activities were RMB155.9 million. This was mainly attributable to RMB120.6 million in purchases of property, plant and equipment related primarily to renovation of new stores, and RMB50.8 million in non-interest bearing advances to related parties. These were offset in part by RMB12.7 million in proceeds from disposal of property, plant and equipment, prepaid land lease payments and investment properties.

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In 2012, our net cash flows used in investing activities were RMB51.6 million. This was mainly attributable to RMB68.5 million in purchases of property, plant and equipment related primarily to renovation of new stores, and RMB13.4 million in non-interest bearing advances to related parties. These were offset in part by RMB23.3 million in proceeds from sale of wealth investment products.

### **Cash Flow Generated from/(Used in) Financing Activities**

In the ten months ended October 31, 2015, our net cash flows generated from financing activities were RMB67.3 million. This was primarily attributable to RMB638.2 million in new bank loans, an RMB11.1 million decrease in pledged deposits and RMB10.1 million in advances from related parties. These were offset in part by RMB559.2 million in repayment of bank loans, an RMB18.0 million increase in pledged deposits and RMB16.1 million in interest paid.

In 2014, our net cash flows used in financing activities were RMB105.6 million. This was attributable to RMB595.2 million in repayment of bank loans, RMB23.3 million in repayment of non-interest bearing advances from related parties and RMB20.6 million in interest paid. These were offset in part by RMB500.2 million in proceeds from new bank loans and RMB37.0 million in capital contributions by non-controlling shareholders.

In 2013, our net cash flows generated from financing activities were RMB161.7 million. This was attributable to RMB619.6 million in proceeds from new bank loans. These were offset in part by RMB390.0 million in repayment of bank loans, RMB48.7 million in repayment of non-interest bearing advances from related parties and RMB19.5 million in interest paid.

In 2012, our net cash flows generated from financing activities were RMB70.7 million. This was attributable to RMB210.0 million in proceeds from new bank loans and RMB14.6 million in capital contributions by non-controlling shareholders. These were offset in part by RMB145.4 million in repayment of bank loans and RMB12.7 million in interest paid.

## FINANCIAL INFORMATION

### Net Current Assets and Liabilities

The following table sets forth our current assets and current liabilities by category as of the dates indicated:

	As of December 31,			As of October 31,	As of the Indebtedness
	2012	2013	2014	2015	Date
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (unaudited)
<b>Current Assets</b>					
Inventories . . . . .	683,348	779,191	831,686	913,912	857,241
Trade and notes receivables . . . . .	139,781	147,194	177,068	337,738	300,959
Prepayments, deposits and other receivables . . . . .	63,700	171,891	175,330	180,125	176,727
Amounts due from related parties . . . . .	4,786	1,519	7,194	127	421
Other current financial assets . . . . .	—	—	108,000	2,500	—
Pledged deposits . . . . .	—	5,000	11,100	18,000	18,000
Cash and cash equivalents . . . . .	108,966	211,366	106,362	166,490	113,835
<b>Total current assets</b> . . . . .	<u>1,000,581</u>	<u>1,316,161</u>	<u>1,416,740</u>	<u>1,618,892</u>	<u>1,467,183</u>
<b>Current Liabilities</b>					
Trade payables . . . . .	259,989	314,322	380,571	451,386	289,728
Other payables and accruals . . . . .	168,726	211,385	213,046	245,653	237,793
Amounts due to related parties . . . . .	617,760	304,880	357,997	253,418	256,792
Interest-bearing bank borrowings . . . . .	205,000	404,216	340,204	348,198	349,435
Tax payable . . . . .	5,036	878	12,422	8,819	18,515
<b>Total current liabilities</b> . . . . .	<u>1,256,511</u>	<u>1,235,681</u>	<u>1,304,240</u>	<u>1,307,474</u>	<u>1,152,263</u>
Net current assets/(liabilities) . . . . .	<u>(255,930)</u>	<u>80,480</u>	<u>112,500</u>	<u>311,418</u>	<u>314,920</u>

We had net current liabilities of RMB255.9 million as of December 31, 2012, and net current assets of RMB80.5 million, RMB112.5 million, RMB311.4 million and RMB314.9 million as of December 31, 2013 and 2014, October 31, 2015 and November 30, 2015 (the “**Indebtedness Date**”), respectively.

Our net current liabilities of RMB255.9 million as of December 31, 2012 were primarily due to significant amounts due to related parties of RMB617.8 million. These amounts due to related parties included primarily an RMB476.6 million amount due to GBHL, which related primarily to our consideration for purchases of subsidiaries from GBHL in 2010 and non-interest bearing advances from GBHL to us.

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We had net current assets of RMB80.5 million as of December 31, 2013, primarily because on December 31, 2013, GBHL assigned to its shareholders an RMB314.5 million amount that we owed to GBHL, and GBHL's shareholders used the assigned amount to subscribe for shares in our Company, resulting in an RMB314.5 million decrease in our amounts due to related parties. For more information on this capital issue, see "History, Reorganization and Corporate Structure—Reorganization."

Our net current assets increased by 39.8% to RMB112.5 million as of December 31, 2014 compared to the prior year. This increase was primarily due to an RMB64.0 million decrease in interest-bearing bank borrowings, an RMB52.5 million increase in inventories and an RMB29.9 million increase in trade and notes receivables. These factors were offset in part by an RMB66.2 million increase in trade payables, and an RMB53.1 million increase in amount due to related parties.

Our net current assets increased significantly from RMB112.5 million as of December 31, 2014 to RMB311.4 million as of October 31, 2015. This increase was primarily due to an RMB160.7 million increase in trade and notes receivables, an RMB104.6 million decrease in amounts due to related parties, an RMB82.2 million increase in inventories and an RMB60.1 million increase in cash and cash equivalents. These factors were offset in part by an RMB105.5 million decrease in other current financial assets, an RMB70.8 million increase in trade payables, and an RMB32.6 million increase in other payables and accruals.

Our net current assets remained relatively stable at RMB314.9 million as of the Indebtedness Date compared to October 31, 2015. Our inventories decreased by 6.2% from RMB913.9 million as of October 31, 2015 to RMB857.2 million as of the Indebtedness Date, primarily due to our relatively higher inventory level as of October 31, 2015 in preparation for winter sales and our increased sales in November 2015. Our trade payables decreased by 35.8% from RMB451.4 million as of October 31, 2015 to RMB289.7 million as of the Indebtedness Date, primarily due to our repayment in November 2015 of trade payables that became due and our relatively higher purchases of inventories as of October 31, 2015 in preparation for winter sales. Our trade and notes receivables decreased by 10.9% from RMB337.7 million as of October 31, 2015 to RMB301.0 million as of the Indebtedness Date, primarily due to our relatively higher level of credit sales as of October 31, 2015 and our collection in November 2015 of trade and notes receivables that became due.

### **Working Capital**

As of the Indebtedness Date, we had unutilized credit facilities of RMB839.3 million from commercial banks. Our Directors believe that, after taking into account the financial resources available to us, including internally generated funds, our available credit facilities and the estimated net proceeds of the Global Offering, we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

After due consideration and discussions with the Company's management and based on the above and the assumption that there is no material change in the composition and trend of our capital expenditure, the Sole Sponsor has no reason to believe that the Company cannot meet its working capital requirements for the 12-month period from the date of this prospectus.

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## FINANCIAL INFORMATION

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### Inventories

Our inventories consisted primarily of finished goods, which were MBC Products that we purchased from brand companies and OEM contractors. During the Track Record Period, we outsourced the production of our apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB to a number of OEM contractors. We also produced a small portion of our Goodbaby-branded baby soothing toys prior to August 2013 and a small portion of our Goodbaby-branded baby underwear products prior to August 2012. As a result of this production, we had raw materials and work-in-progress during the Track Record Period. We store our inventories at self-operated stores and our warehouses. We hold various sales events online and offline to sell slow-moving inventories, including offline sales promotion events organized by our headquarters and branch offices, where we sell the slow-moving products we offer at larger discounts. See “Business—Our Logistics and Inventory Management—Inventory Control” for more information on our inventory management.

The following table sets forth a summary of our total inventories as of each date indicated:

	As of December 31,			As of
				October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Raw materials . . . . .	4,878	1,044	940	—
Work-in-progress . . . . .	3,472	—	—	—
Finished goods . . . . .	674,998	778,147	830,746	913,912
<b>Total</b> . . . . .	<u>683,348</u>	<u>779,191</u>	<u>831,686</u>	<u>913,912</u>

Our inventories increased by 14.0% from RMB683.3 million as of December 31, 2012 to RMB779.2 million as of December 31, 2013, and by 6.7% to RMB831.7 million as of December 31, 2014 compared to the prior year; these increases were primarily in line with the expansion of our sales network, particularly our establishment of new stores. Our inventories increased by 9.9% to RMB913.9 million as of October 31, 2015 compared to December 31, 2014, primarily because we had higher purchases of inventories in preparation for winter sales. Our raw materials decreased from RMB4.9 million as of December 31, 2012 to RMB1.0 million as of December 31, 2013 and RMB0.9 million as of December 31, 2014. We had no raw materials as of October 31, 2015. We had RMB3.5 million in work-in-progress as of December 31, 2012, and we had no work-in-progress as of December 31, 2013 or 2014 or October 31, 2015. These changes were because we ceased our manufacturing of Goodbaby-branded baby soothing toys beginning from August 2013 and Goodbaby-branded baby underwear products beginning from August 2012, and we disposed of all of these raw materials and work-in-progress by October 31, 2015.



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## FINANCIAL INFORMATION

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We assess impairment to inventories at the end of each period during the Track Record Period, and make provision to write down our inventories to the net realizable value if the inventories become out-of-season or are damaged or their prices went down and their net realizable value is lower than the costs of the inventories. Provisions for impairment of our inventories are estimated based on the inventories' ages and physical conditions, the prevailing market conditions, our latest marketing strategies, and our historical experience of selling products of a similar nature. For example, we typically make initial provision for impairment at approximately 10% of the book value of our durable juvenile product and clothing inventories if they are one year old, and the provision escalates as the age increases. We had recognized impairment of inventories for our continuing operations of RMB14.5 million in 2014. The relatively higher level in our impairment of inventories in 2014 was primarily due to aging of certain of our inventories. We typically record reversals of inventories written-down in the month when we sell them and recognize revenue.

The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of
	October 31,			
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within 1 year . . . . .	598,428	685,838	731,663	772,655
1-2 years . . . . .	49,477	53,489	64,200	96,071
2-3 years . . . . .	33,023	30,989	28,424	38,427
Over 3 years . . . . .	<u>2,420</u>	<u>8,875</u>	<u>7,399</u>	<u>6,759</u>
<b>Total</b> . . . . .	<u>683,348</u>	<u>779,191</u>	<u>831,686</u>	<u>913,912</u>

The following table sets forth our inventory turnover days during the period indicated:

	For the year ended December 31,			For the ten
	October 31,			months ended
	2012	2013	2014	2015
Inventory turnover days <sup>(1)</sup> . . . . .	198.3	194.3	156.7	156.5

*Note:*

- (1) Inventory turnover days for each one-year period equals the average of the beginning and ending inventory for that year divided by cost of sales (inclusive of the Discontinued Operation) for that year and multiplied by 365 days. Inventory turnover days for a ten-month period equals the average of the beginning and ending inventory for that period divided by the cost of sales (inclusive of the Discontinued Operation) for that period and multiplied by 305 days.

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Our inventory turnover days remained relatively stable at 198.3 days in 2012 and 194.3 days in 2013. Our inventory turnover days decreased to 156.7 days in 2014, primarily due to our increased online retail and our improved inventory management, including our increased sales events. Our inventory turnover days remained relatively stable at 156.5 days in the ten months ended October 31, 2015.

As of November 30, 2015, RMB185.9 million, or 20.3%, of our inventory balance amount as of October 31, 2015 had been sold or utilized.

### Trade and Notes Receivables

The following table sets forth a breakdown of our trade and notes receivables as of the dates indicated:

	As of December 31,			As of October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Trade receivables . . . . .	128,822	143,452	170,899	338,236
Notes receivables . . . . .	11,042	3,820	6,731	425
	139,864	147,272	177,630	338,661
Impairment of the trade receivables . . . . .	(83)	(78)	(562)	(923)
	139,781	147,194	177,068	337,738

Our trade receivables mainly comprise receivables from department stores, shopping malls, online key accounts, and supermarkets and hypermarkets. We grant credit terms to department stores, shopping malls, and supermarkets and hypermarkets under concession arrangements, where we use their POS systems to settle end-customers' payments for the products we sell. These credit terms are based on our agreements with the department stores, shopping malls, supermarkets and hypermarkets, and vary depending on the time that they typically need to clear and settle payments with us. We also grant credit terms to online key accounts, other supermarkets and hypermarkets and our other offline customers primarily based on our sales agreements with them. During the Track Record Period, the credit terms we granted to department stores, shopping malls, online key accounts, supermarkets and hypermarkets and other offline customers generally ranged between seven days and 60 days from the invoice date. We typically do not grant any credit terms to our authorized third-party online retailers, authorized third-party offline retailers, offline distributors or third-party maternity and childcare specialty stores. We may, at our sole discretion, grant credit terms to our offline distributors of up to 30 days in anticipation of particular events to support the sales of these offline distributors. We seek to maintain strict control over our outstanding receivables. We have a credit control department to minimize credit risk, and we review our overdue balances regularly. During the Track Record Period, we accepted notes receivables primarily from our authorized third-party online retailers and offline distributors for our sales to them, and our notes receivables generally had terms of three to six months.

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Our trade and notes receivables increased by 5.3% to RMB147.2 million as of December 31, 2013 compared to the prior year, primarily in line with growth of our self-operated offline retail using POS systems of department stores and shopping malls and, to a lesser extent, sales to online key accounts. Our trade and notes receivables as of December 31, 2014 increased by 20.3% to RMB177.1 million compared to the prior year, primarily in line with growth of our self-operated offline retail using POS systems of department stores and shopping malls and sales to online key accounts. Our trade and notes receivables increased by 90.7% to RMB337.7 million as of October 31, 2015 compared to December 31, 2014, primarily due to our higher self-operated offline retail (particularly of sports & leisure brands products) using POS systems of department stores and shopping malls during China's National Day holidays in October and our higher credit sales to third-party retailers (particularly our increased sales to online key accounts such as JD) in anticipation of special Singles' Day promotional events.

We recorded impairment of our trade receivables of approximately RMB83,000, RMB78,000, RMB562,000 and RMB923,000 as of December 31, 2012, 2013 and 2014 and October 31, 2015, respectively. The impairment of our trade receivables during the Track Record Period related primarily to trade receivables aged over a year from certain hypermarket and department store that had disputes with us in respect of the amounts of the relevant trade receivables. We subsequently collected a portion of the trade receivables for which we recorded impairment during the Track Record Period. During the Track Record Period, our notes receivables were all aged within six months and were neither past due nor impaired.

The following table sets forth an aging analysis of our trade receivables, based on the invoice date, net of provisions, as of the dates indicated:

	As of December 31,			As of October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within 3 months . . . . .	120,854	133,570	155,483	323,512
3 to 6 months . . . . .	2,572	6,157	8,595	7,719
6 months to 1 year . . . . .	5,144	3,442	5,046	5,157
Over 1 year . . . . .	169	205	1,213	925
<b>Total</b> . . . . .	<u>128,739</u>	<u>143,374</u>	<u>170,337</u>	<u>337,313</u>

During the Track Record Period, a substantial majority of our trade receivables were aged within three months.

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The following table sets forth an aging analysis of our trade receivables that were neither individually nor collectively considered to be impaired as of the dates indicated:

	As of December 31,			As of October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Neither past due nor impaired . . . . .	109,558	127,219	149,779	293,093
Less than 1 months past due . . . . .	11,275	6,066	6,892	22,099
1 to 3 months past due. . . . .	2,360	5,538	8,506	12,067
3 months to 1 year past due. . . . .	5,422	4,353	4,172	9,764
Over 1 year past due . . . . .	124	198	988	290
<b>Total</b> . . . . .	<u>128,739</u>	<u>143,374</u>	<u>170,337</u>	<u>337,313</u>

Our trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no history of default. Our trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with us. Based on our past experience, we believe that no provision for impairment is necessary in respect of these balances, as there has not been a significant change in credit quality, and the balances are still considered fully recoverable.

The following table sets forth our trade and notes receivables turnover days during the periods indicated:

	For the year ended December 31,			For the ten months ended October 31,
	2012	2013	2014	2015
	Trade and notes receivables turnover days <sup>(1)</sup> . .	22.4	21.3	18.2

*Note:*

- (1) Trade and notes receivables turnover days for each one-year period equals the average of the beginning and ending balances of trade and notes receivables for that year divided by revenue (inclusive of revenue from sales of goods in the Discontinued Operation) for that year and multiplied by 365 days. Trade and notes receivables turnover days for a ten-month period equals the average of the beginning and ending balances of trade and notes receivables for that period divided by revenue (inclusive of the Discontinued Operation) for that period and multiplied by 305 days.

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Our trade and notes receivables turnover days remained relatively stable at 22.4 days in 2012 and 21.3 days in 2013. Our trade and notes receivables turnover days decreased from 21.3 days in 2013 to 18.2 days in 2014, primarily because a higher percentage of our revenue came from non-credit sales. Our trade and notes receivables turnover days increased to 25.8 days in the ten months ended October 31, 2015, primarily due to our significantly higher trade and notes receivables as of October 31, 2015 as a result of our higher self-operated offline retail (particularly of sports & leisure brands products) using POS systems of department stores and shopping malls during China's National Day holidays in October and our higher credit sales to third-party retailers (particularly our increased sales to online key accounts such as JD) in anticipation of special Singles' Day promotional events.

As of November 30, 2015, we had collected RMB268.1 million, or 79.4%, of the outstanding balance amount of our trade and notes receivables as of October 31, 2015.

### Prepayments, Deposits and Other Receivables

During the Track Record Period, our prepayments, deposits and other receivables consisted primarily of prepayments to our suppliers for products and services, deposits with landlords of self-operated stores, office premises and warehouses and operators of third-party online sales platforms, and other receivables such as VAT deductible and government grants receivable.

The following table sets forth our prepayment, deposits and other receivables as of the dates indicated:

	As of December 31,			As of October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Prepayments . . . . .	22,033	40,479	34,647	45,098
Deposits and other receivables . . . . .	41,667	131,412	140,683	135,027
<b>Total</b> . . . . .	<b>63,700</b>	<b>171,891</b>	<b>175,330</b>	<b>180,125</b>

Our prepayments, deposits and other receivables increased significantly from RMB63.7 million as of December 31, 2012 to RMB171.9 million as of December 31, 2013. This increase was primarily due to (i) an RMB89.7 million increase in deposits and other receivables, primarily as a result of a significant increase in our VAT deductible due to our relatively large purchases from the brand companies and intragroup purchases, an increase in deposits that we made with landlords of self-operated stores, office premises and warehouses and operators of third-party online sales platforms, and our receivable of government grants, and (ii) an RMB18.4 million increase in prepayments to our suppliers primarily as a result of an increase in our purchases of apparel for babies and children from OEM contractors who required prepayments for those products and our advances to a contractor for the renovation of our headquarters.

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Our prepayments, deposits and other receivables remained relatively stable at RMB171.9 million as of December 31, 2013 and RMB175.3 million as of December 31, 2014.

Our prepayments, deposits and other receivables remained relatively stable at RMB180.1 million as of October 31, 2015 compared to RMB175.3 million as of December 31, 2014.

### **Other Current Financial Assets**

Our other current financial assets are wealth investment products. During the Track Record Period and up to November 30, 2015, we had invested in only two wealth investment products. Both wealth investment products were asset management plans issued by reputable commercial banks in China. One of the wealth investment products was not principal-guaranteed but was classified as “low risk” by the bank, and its pay-out was linked to the plan’s investments primarily in certain fixed-income instruments offered on the inter-bank market and the stock exchanges, money market instruments, direct financing instruments and other standardized financial instruments. The other wealth investment product was principal-guaranteed by the bank and the product’s pay-out was linked to the plan’s investments primarily in certain fixed-income instruments and money market instruments. Both wealth investment products were redeemable upon demand, subject to certain normal commercial conditions (such as minimum-holding-period requirements and large redemption restrictions). We had no wealth investment products as of December 31, 2012 and 2013. We had wealth investment products of RMB108.0 million as of December 31, 2014, and we had a wealth investment product of RMB2.5 million as of October 31, 2015. Our wealth investment products as of December 31, 2014 and October 31, 2015 had yields ranging from 3.6% to 3.8% per annum and were redeemable upon demand.

### **Trade Payables**

Our trade payables primarily relate to product purchases from third-party brand companies and OEM contractors (excluding related parties). We have recorded our trade-related amounts due to related parties as amounts due to related parties. During the Track Record Period, the brand companies and OEM contractors (including related parties) granted us credit terms generally ranging from 30 to 120 days from the invoice date. We have been granted credit terms by the brand companies and OEM contractors (including related parties) according to our agreements with them, subject to adjustments.

Our trade payables and trade-related amounts due to related parties increased by 35.6% from RMB380.8 million as of December 31, 2012 to RMB516.2 million as of December 31, 2013, and by 36.4% from December 31, 2013 to RMB704.2 million as of December 31, 2014. These increases were primarily a result of our higher purchases of inventories in line with our higher level of sales. Our trade payables and trade-related amounts due to related parties remained relatively stable at RMB694.3 million as of October 31, 2015 compared to RMB704.2 million as of December 31, 2014.

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The following table sets forth an aging analysis of our trade payables as of the dates indicated, based on the transaction dates:

	As of December 31,			As of
				October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within 3 months . . . . .	237,702	259,418	368,900	439,521
3 to 12 months . . . . .	13,972	52,015	9,957	10,329
1 to 2 years . . . . .	5,428	1,858	282	476
2 to 3 years . . . . .	1,932	297	438	632
Over 3 years . . . . .	955	734	994	428
<b>Total</b> . . . . .	<u>259,989</u>	<u>314,322</u>	<u>380,571</u>	<u>451,386</u>

During the Track Record Period, a substantial majority of our trade payables were aged within 90 days.

The following table sets forth our trade payables turnover days for the periods indicated:

	For the year ended December 31,			For the ten
				months ended
	2012	2013	2014	October 31,
				2015
Trade payables turnover days <sup>(1)(2)</sup> . . . . .	110.0	119.2	118.7	125.4

*Notes:*

- (1) During the Track Record Period, our trade-related amounts due to GCPC, Mothercare UK, BRKH, Anhui Co and Shangqiu Co for purchases of products from them were recorded as amounts due to related parties. These trade-related amounts due to the above related parties were RMB120.8 million, RMB201.9 million, RMB323.6 million and RMB242.9 million as of December 31, 2012, 2013 and 2014 and October 31, 2015, respectively. We have added these amounts to our trade payables when calculating the trade payables turnover days.
- (2) Trade payables turnover days for each one-year period equals the average of the beginning and ending trade-related payables (including trade payables and trade-related amounts due to GCPC, Mothercare UK, BRKH, Anhui Co and Shangqiu Co) for that year divided by cost of sales (inclusive of the Discontinued Operation) for that year and multiplied by 365 days. Trade payables turnover days for a ten-month period equals the average of the beginning and ending trade-related payables (including trade payables and trade-related amounts due to GCPC, Mothercare UK, BRKH, Anhui Co and Shangqiu Co) for that period divided by cost of sales (inclusive of the Discontinued Operation) for that period and multiplied by 305 days.



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Our trade payables turnover days (accounting for trade payables and trade-related amounts due to GCPC, Mothercare UK, BRKH, Anhui Co and Shangqiu Co) increased from 110.0 days in 2012 to 119.2 days in 2013, primarily because beginning from January 2013 GCPC extended the credit term granted to us from 90 days to 120 days. Our trade payables turnover days remained relatively stable at 119.2 and 118.7 days in 2013 and 2014, respectively. Our trade payables turnover days increased to 125.4 days in the ten months ended October 31, 2015, primarily because we had higher purchases of inventories as of October 31, 2015 in preparation for winter sales, compared to December 31, 2013.

As of November 30, 2015, we had settled RMB279.9 million, or 40.3%, of our trade payables and trade-related amounts due to related parties as of October 31, 2015.

### Other Payables and Accruals

The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of
				October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Other payables . . . . .	67,395	94,029	96,593	92,278
Accruals . . . . .	46,665	33,623	39,866	64,949
Advances from customers . . . . .	25,682	31,836	42,226	48,280
Payroll and welfare payables . . . . .	26,770	27,503	26,732	34,880
Other tax payables . . . . .	2,214	24,394	3,789	1,426
Deferred income . . . . .	—	—	3,840	3,840
<b>Total</b> . . . . .	<u>168,726</u>	<u>211,385</u>	<u>213,046</u>	<u>245,653</u>

Our other payables and accruals increased by 25.3% to RMB211.4 million as of December 31, 2013 compared to the prior year. This increase was primarily due to (i) an RMB26.6 million increase in other payables, primarily a result of increases in deposits pledged by our distributors and suppliers, payables for purchases of property, plant and equipment, and payables for promotion expenses, and (ii) an RMB22.2 million increase in other tax payables, primarily due to a higher VAT payable as a result of a significant increase in intragroup sales as of December 31, 2013 compared to the prior year. These factors were offset in part by an RMB13.0 million decrease in accruals, primarily due to a decrease in accrued bonus and commission, which in 2013 we had paid for before the year-end.

Our other payables and accruals remained relatively stable at RMB213.0 million as of December 31, 2014 compared to the prior year.

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Our other payables and accruals increased by 15.3% to RMB245.7 million as of October 31, 2015 compared to December 31, 2014. This increase was primarily due to an RMB25.1 million increase in accruals, primarily due to an increase in accrued bonus and commission, as well as an accrual of listing expenses.

### Indebtedness

The following table sets forth our interest-bearing bank borrowings as of the dates indicated:

	As of December 31,						As of October 31,		As of the	
	2012		2013		2014		2015		Indebtedness	
	RMB ('000)	Effective interest rate (%)	RMB ('000)	Effective interest rate (%)	RMB ('000)	Effective interest rate (%)	RMB ('000)	Effective interest rate (%)	RMB ('000)	Effective interest rate (%)
<b>Current</b>										
Bank loans — unsecured . . . . .	125,000	4.43-6.10	293,647	1.57-5.60	206,969	1.53-5.32	243,495	1.58-5.32	243,962	1.58-5.32
Bank loans — secured . . . . .	—	—	60,969	1.7-1.73	53,235	2.76	104,703	2.08	105,473	2.08
Current portion of long-term bank loans										
— unsecured . . . . .	80,000	6.15	49,600	6.56	80,000	5.84	—	—	—	—
Subtotal . . . . .	205,000		404,216		340,204		348,198		349,435	
<b>Non-current</b>										
Bank loans — unsecured . . . . .	49,600	6.15	80,000	6.15	49,000	5.84	120,000	5.50-5.70	120,000	5.50-5.70
<b>Total</b> . . . . .	<u>254,600</u>		<u>484,216</u>		<u>389,204</u>		<u>468,198</u>		<u>469,435</u>	

Our bank loans increased by 90.2% to RMB484.2 million as of December 31, 2013 compared to December 31, 2012, due to an RMB168.6 million increase in current unsecured bank loans and our borrowing of RMB61.0 million in current secured bank loans. Our bank loans decreased by 19.6% to RMB389.2 million as of December 31, 2014 compared to December 31, 2013, due to our repayment of RMB86.7 million in current unsecured bank loans and RMB7.7 million in current secured bank loans. Our bank loans increased by 20.3% to RMB468.2 million as of October 31, 2015 compared to December 31, 2014, primarily due to an RMB71.0 million increase in non-current unsecured bank loans, an RMB51.5 million increase in current secured bank loans and an RMB36.5 million increase in current unsecured bank loans. These factors were offset in part by our repayment of RMB80.0 million in current portion of long-term bank loans. We borrowed more current secured bank loans as of October 31, 2015 compared to December 31, 2014, primarily because the new bank loan (U.S. dollar-denominated) secured with pledged deposits had a relatively lower interest rate and we used the new loan primarily to refinance part of our existing U.S. dollar-denominated bank loans. Our bank loans remained relatively stable at RMB469.4 million as of the Indebtedness Date compared to October 31, 2015. We had U.S. dollar-denominated bank loans of zero, US\$27.0 million (with interest rates ranging from 1.57% to 2.04%), US\$23.7 million (with interest rates ranging from 1.57% to 3.23%), US\$26.5 million (with interest rates ranging from 1.58% to 2.08%) and US\$26.5 million (with interest rates ranging from 1.58% to 2.08%) as of December 31, 2012, 2013 and 2014, October 31, 2015 and the Indebtedness Date, respectively. These U.S. dollar-denominated bank loans have been translated into Renminbi at applicable foreign exchange rates and included in the amounts of bank

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loans in the table above. We borrowed these U.S. dollar-denominated bank loans mainly because these loans had relatively lower interest rates. We used the proceeds of these loans mainly for working capital purposes through capital investments in MGCR and GCCL. During the Track Record Period, we used bank loans primarily to fund our establishment of stores and our other working capital needs.

Our loan agreements contain standard terms and conditions that are customary for commercial bank loans. Our loan agreements contain material covenants that, among others, restrict us from conducting mergers, acquisitions, divisions or other reorganizations, disposing of material assets, making material investments, or incurring material indebtedness. During the Track Record Period and up to the Latest Practicable Date, we had no violations of these covenants that could have a material adverse effect on our business operations. During the Track Record Period, we did not experience any default in repayment of our bank loans or any difficulties in obtaining bank facilities with terms that are commercially acceptable to us. We do not expect our plans to acquire businesses, assets and technologies to result in violation of the restrictive covenants in our loan agreements. Our loan agreements generally require us to obtain the banks' consents or make appropriate repayment or security arrangements with the banks before material mergers and acquisitions. We intend to conduct mergers and acquisitions by satisfying these requirements of the banks. As of the Latest Practicable Date, we did not have any plan for material external debt financing. Our ability to obtain adequate external financing will depend on a number of factors, including our financial performance and results of operations, as well as factors beyond our control. See "Risk Factors—Risks Relating to Our Business and Industry—We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are able to raise funds, the value of your investment in us may be negatively impacted" for more information.

The following table sets forth the maturity profile of our interest-bearing bank borrowings as of the dates indicated:

	As of December 31,			As of
				October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Bank loans repayable:				
Within one year . . . . .	205,000	404,216	340,204	348,198
In the second year . . . . .	49,600	80,000	—	120,000
In the third to fifth years, inclusive . . . . .	—	—	49,000	—
<b>Total</b> . . . . .	<u>254,600</u>	<u>484,216</u>	<u>389,204</u>	<u>468,198</u>

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### Statement of Indebtedness

As of the Indebtedness Date, other than as disclosed in this prospectus, we did not have any outstanding debt securities, charges, mortgages, or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities. In December 2015, we borrowed a long-term bank loan with a principal amount of RMB50 million and an interest rate of 4.75% for a term of two years for working capital purposes. Other than as disclosed in this prospectus, since the Indebtedness Date, there has been no material adverse change in our indebtedness.

### Related Party Transactions

The following table sets forth our amounts due from related parties as of the dates indicated:

	As of December 31,			As of
				October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
<b>Amounts due from related parties:</b>				
GGCL .....	785	—	—	—
Ms. Fu .....	1,211	1,488	1,819	—
GBHL .....	1,849	—	5,309	—
BRKH .....	939	31	66	—
CRF Enterprise Limited (“CRF”) .....	2	—	—	—
Shangqiu Co .....	—	—	—	127
<b>Total</b> .....	<u>4,786</u>	<u>1,519</u>	<u>7,194</u>	<u>127</u>

All of the amounts due from related parties listed in the table above were non-trade in nature, and were unsecured, interest-free, repayable on demand. Our amounts due from related parties decreased from RMB4.8 million as of December 31, 2012 to RMB1.5 million as of December 31, 2013, primarily due to repayment by GBHL of RMB1.8 million to us. Our amounts due from related parties increased to RMB7.2 million as of December 31, 2014, primarily due to our advances of RMB5.3 million to GBHL. Our amounts due from related parties decreased to RMB0.1 million as of October 31, 2015.

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The following table sets forth our amounts due to related parties as of the dates indicated:

	As of December 31,			As of October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
<b>Amounts due to related parties:</b>				
GGCL .....	—	42,668	24,086	—
BRKH .....	3,562	103	103	—
GCPC .....	108,232	185,321	299,113	223,379
GBHL .....	476,563	20,849	—	3,400
Mothercare UK .....	29,390	50,939	21,707	18,359
GRTC .....	—	5,000	5,000	—
Anhui Co. ....	—	—	4,937	4,440
Shangqiu Co .....	—	—	3,051	—
Mr. Zhang .....	—	—	—	3,840
Evenflo Hong Kong Limited (“GPHL”) .....	13	—	—	—
<b>Total</b> .....	<u>617,760</u>	<u>304,880</u>	<u>357,997</u>	<u>253,418</u>

The amounts due to related parties listed in the table above were unsecured, interest-free and repayable on demand, except for the trade-related amounts. Our amounts due to BRKH, GCPC, Anhui Co and Shangqiu Co as of December 31, 2012, 2013 and 2014 and October 31, 2015 were all trade-related. Our amounts due to Mothercare UK as of the same respective dates comprised trade-related amounts and non-trade related royalty fees payable to Mothercare UK. Our amounts due to other related parties as of the same respective dates were all non-trade related in nature. Our trade-related amounts due to related parties, including amounts due to GCPC, Mothercare UK, BRKH, Anhui Co and Shangqiu Co were RMB120.8 million, RMB201.9 million, RMB323.6 million and RMB242.9 million as of December 31, 2012, 2013 and 2014 and October 31, 2015, respectively.

Our non-trade related amounts due to related parties decreased significantly from RMB497.0 million as of December 31, 2012 to RMB103.0 million as of December 31, 2013. The decrease in our non-trade related amounts due to related parties was primarily because GBHL assigned our non-trade related amounts due to it of RMB314.5 million to its shareholders and they used the amount payable to subscribe for shares in our Company. This decrease was also due to an RMB141.2 million decrease in non-trade related amounts due to GBHL. This decrease was offset in part by an RMB42.7 million increase in non-trade amounts due to GGCL and an RMB14.1 million increase in royalty fees payable to Mothercare UK.

Our non-trade related amounts due to related parties decreased significantly from RMB103.0 million as of December 31, 2013 to RMB34.4 million as of December 31, 2014. This decrease was primarily due to an RMB29.1 million decrease in royalty fees payable to Mothercare UK, our repayment of an RMB20.8 million non-trade related amount to GBHL and an RMB18.6 million decrease in our non-trade related amounts due to GGCL.

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Our non-trade related amounts due to related parties decreased significantly from RMB34.4 million as of December 31, 2014 to RMB10.5 million as of October 31, 2015. This decrease was primarily due to an RMB24.1 million decrease in non-trade related amount due to GGCL and an RMB5.0 million decrease in amount due to GRTC, offset in part by an RMB3.8 million advance from Mr. Zhang to us and an RMB3.4 million advance from GBHL to us.

As of October 31, 2015, our amounts due from related parties were RMB0.1 million (all of which were non-trade in nature) and our non-trade related amounts due to related parties were RMB10.5 million. We will settle all these amounts due from related parties and non-trade related amounts due to related parties before Listing.

### Capital Expenditures

The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,			For the ten months ended October 31,	
	2012	2013	2014	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
				(unaudited)	
Purchases of items of property, plant and equipment . . . . .	68,473	120,611	121,660	54,173	67,557
Purchase of other intangible assets . . . . .	1,322	645	1,657	1,049	9,435
<b>Total capital expenditures . . . . .</b>	<b>69,795</b>	<b>121,256</b>	<b>123,317</b>	<b>55,222</b>	<b>76,992</b>

Our capital expenditures during the Track Record Period comprised expenditures on property, plant and equipment and intangible assets for our new stores and our headquarters. During the Track Record Period, we financed our capital expenditures primarily with cash flows generated from operating activities, as well as bank loans. As of November 30, 2015, our capital expenditures requirements included primarily those for establishing new self-operated stores and purchasing and maintaining IT systems. We paid capital expenditures of RMB88.4 million for the eleven months ended November 30, 2015, and we expect to incur capital expenditures of approximately RMB149.8 million from December 1, 2015 to December 31, 2016.

From November 1, 2015 to December 31, 2016, we have opened or plan to open an aggregate of 539 new self-operated stores, including Kids Stations, Goodbaby e-Family stores, Goodbaby Brands stores, and stores for other brands within our brand portfolio, such as leading international sports & leisure brands. We opened 38 new self-operated stores and paid capital expenditures of RMB11.2 million for establishing new self-operated stores in November 2015. We have opened or expect to open an aggregate of 501 self-operated stores and incur capital expenditures of approximately RMB128.7 million for establishing new self-operated stores from December 1, 2015 to December 31, 2016. In particular, from December 1, 2015 to December 31, 2016, we have opened or

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plan to open Kids Stations primarily in Shanghai, Jiangsu province, Zhejiang province, Sichuan province, Liaoning province, Beijing, Henan province, Gansu province, Yunnan province and Fujian province. During the same period, we have opened or plan to open Goodbaby e-Family stores and Goodbaby Brands stores primarily in Zhejiang province, Henan province, Fujian province, Jiangsu province, Shanghai, Shanxi province, Guangdong province, Sichuan province, Hebei province, Jiangxi province and Yunnan province. The following table sets forth a breakdown of our actual, estimated and expected capital expenditures for establishing Kids Stations, Goodbaby e-Family stores and Goodbaby Brands stores, and stores for other brands within our brand portfolio in the periods indicated:

	In November 2015		In December 2015		In the year ending December 31, 2016	
	Number of stores	Actual capital expenditure	Number of stores	Estimated capital expenditure	Number of stores	Expected capital expenditure
		(RMB millions)		(RMB millions)		(RMB millions)
Kids Stations . . . . .	12	3.2	7	2.6	120	42.4
Goodbaby e-Family stores and Goodbaby Brands stores . . . . .	8	0.9	15	2.5	76	18.6
Stores for other brands within our brand portfolio . . . . .	18	7.1	24	10.0	259	52.6
<b>Total . . . . .</b>	<b>38</b>	<b>11.2</b>	<b>46</b>	<b>15.1</b>	<b>455</b>	<b>113.6</b>

Our estimated and expected capital expenditures may vary from the amounts actually expended for a variety of reasons, including changes in market conditions and other factors. We have funded our capital expenditures primarily with cash flows generated from operating activities. We plan to finance our future capital expenditures mainly with cash flows generated from operating activities and proceeds from the Global Offering. Specifically, we plan to use approximately HK\$134.1 million (equivalent to RMB113.6 million) of the net proceeds of the Global Offering to fund the capital expenditures of our self-operated stores to be established in the year ending December 31, 2016.



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### Commitments

We leased investment properties under operating lease arrangements before we disposed of those investment properties in December 2013. The following table sets forth our total future minimum lease receivables under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of
				October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within one year . . . . .	2,242	—	—	—
After one year but not more than five years . . .	1,304	—	—	—
<b>Total</b> . . . . .	<u>3,546</u>	<u>—</u>	<u>—</u>	<u>—</u>

We lease office equipment and premises for self-operated stores and our offices. The following table sets forth our future aggregate minimum lease payments under non-cancellable operating leases falling due as of the dates indicated:

	As of December 31,			As of
				October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within one year . . . . .	62,110	92,406	94,910	90,674
After one year but not more than five years . . .	166,825	261,178	233,736	184,389
More than five years . . . . .	12,442	30,833	25,964	25,725
<b>Total</b> . . . . .	<u>241,377</u>	<u>384,417</u>	<u>354,610</u>	<u>300,788</u>

In addition to the minimum rental payments disclosed above, we have a commitment to pay rent with reference to turnover for certain of the self-operated stores. These contingent rentals were not included in the table of commitments above as it is not possible to estimate the amounts that may be payable under those leases.

## FINANCIAL INFORMATION

In addition to operating lease commitments, we had the following capital commitments as of the dates indicated:

	As of December 31,			As of
				October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Contracted but not provided for:				
Property, plant and equipment . . . . .	2,417	2,961	2,514	1,933

Our capital commitments during the Track Record Period were primarily for our establishment of new stores. We plan to finance our capital commitments primarily with our cash flows generated from operating activities and proceeds of the Global Offering.

### OTHER KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	For the year ended December 31,			For the ten months ended	
				October 31,	
	2012	2013	2014	2014	2015
Growth of revenue <sup>(1)</sup> . . . . .	N/A	20.8%	31.8%	N/A	20.0%
Growth of profit before tax <sup>(2)</sup> . . . . .	N/A	71.9%	68.3%	N/A	114.4%
Gross profit margin <sup>(3)</sup> . . . . .	45.3%	45.1%	43.3%	43.8%	45.0%
PBT from continuing operations					
margin <sup>(4)</sup> . . . . .	2.2%	3.2%	4.1%	4.3%	7.6%
Profit from continuing operations					
margin <sup>(5)</sup> . . . . .	4.7%	2.5%	3.2%	3.3%	5.8%
Return on equity <sup>(6)</sup> . . . . .	N/A <sup>(7)</sup>	35.0%	16.4%	N/A	35.2% <sup>(8)</sup>
Return on assets <sup>(9)</sup> . . . . .	5.3%	1.7%	2.6%	N/A	7.0% <sup>(8)</sup>
Interest coverage <sup>(10)</sup> . . . . .	4.4x	4.8x	7.0x	6.9x	15.3x

	As of December 31,			As of
				October 31,
	2012	2013	2014	2015
Current ratio <sup>(11)</sup> . . . . .	0.8x	1.1x	1.1x	1.2x
Quick ratio <sup>(12)</sup> . . . . .	0.3x	0.4x	0.4x	0.5x
Net debt-to-equity ratio <sup>(13)</sup> . . . . .	N/A <sup>(7)</sup>	126.1%	96.1%	75.4%

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## FINANCIAL INFORMATION

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### Notes:

- (1) Equals revenue from continuing operations for the current period divided by revenue from continuing operations for the prior period and multiplied by 100%.
- (2) Equals profit before tax from continuing operations for the current period divided by profit before tax from continuing operations for the prior period and multiplied by 100%.
- (3) Equals gross profit from continuing operations for the period divided by revenue from continuing operations for that period and multiplied by 100%.
- (4) Equals profit before tax from continuing operations for the period divided by revenue from continuing operations for that period and multiplied by 100%.
- (5) Equals profit from continuing operations for the period divided by revenue from continuing operations for that period and multiplied by 100%.
- (6) Equals profit for the period (inclusive of the Discontinued Operation) divided by the average of the beginning and ending total equity for that period and multiplied by 100%.
- (7) This number is not meaningful as we had negative total equity of RMB158.4 million as of January 1, 2012 and RMB84.3 million as of December 31, 2012.
- (8) This is an annualized number (6/5x the amount for the ten months) based on the profit for the ten months ended October 31, 2015, and hence may not be comparable to the ratio numbers based on the full-year profit for 2012, 2013 or 2014.
- (9) Equals profit for the period (inclusive of the Discontinued Operation) divided by the average of the beginning and ending total assets for that period and multiplied by 100%.
- (10) Equals profit before finance costs and income tax expense for the period divided by finance costs for that period, in all cases from continuing operations, and multiplied by 100%.
- (11) Equals current assets divided by current liabilities as at the respective financial period-end date.
- (12) Equals current assets less inventories and divided by current liabilities as at the respective financial period-end date.
- (13) Equals total interest-bearing bank borrowings less cash and cash equivalents divided by total equity as at the respective financial period-end date and multiplied by 100%.

### Return on equity

Our return on equity in 2012 was not meaningful because we had negative equity as of December 31, 2012, primarily because of significant amounts due to related parties. Our return on equity was 35.0% in 2013 and decreased to 16.4% in 2014, primarily due to a lower average equity in 2013 (because we had a negative equity as of December 31, 2012). Our return on equity increased to 35.2% in the ten months ended October 31, 2015 primarily due to a significant increase in our net profit.

### Return on assets

Our return on assets decreased from 5.3% in 2012 to 1.7% in 2013, primarily because we had a relatively higher net profit in 2012 due in part to our tax credit in 2012. Our return on assets increased to 2.6% in 2014, primarily due to an increase in our net profit. Our return on assets increased to 7.0% in the ten months ended October 31, 2015 primarily due to a significant increase in our net profit.

### Interest coverage

Our interest coverage ratio increased from 4.4x in 2012 to 4.8x in 2013 and further to 7.0x in 2014, primarily due to increases in our profit before tax from continuing operations. Our interest coverage ratio increased from 6.9x in the ten months ended October 31, 2014 to 15.3x in the same period of 2015, primarily due to a significant increase in our profit before tax from continuing operations and, to a lesser extent, a decrease in our finance costs from continuing operations.

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## FINANCIAL INFORMATION

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### **Current ratio**

Our current ratio increased from 0.8x as of December 31, 2012 to 1.1x as of December 31, 2013, primarily due to an RMB312.9 million decrease in amounts due to related parties, an RMB108.2 million increase in prepayments, deposits and other receivables, and an RMB102.4 million increase in cash and cash equivalents; offset in part by an RMB199.2 million increase in interest-bearing bank borrowings. Our current ratio remained stable at 1.1x as of December 31, 2014. Our current ratio increased to 1.2x as of October 31, 2015, primarily due to an RMB160.7 million increase in trade and notes receivables.

### **Quick ratio**

Our quick ratio increased from 0.3x as of December 31, 2012 to 0.4x as of December 31, 2013, primarily due to an RMB312.9 million decrease in amounts due to related parties, an RMB108.2 million increase in prepayments, deposits and other receivables, and an RMB102.4 million increase in cash and cash equivalents; offset in part by an RMB199.2 million increase in interest-bearing bank borrowings. Our quick ratio remained stable at 0.4x as of December 31, 2014. Our quick ratio increased to 0.5x as of October 31, 2015, primarily due to an RMB160.7 million increase in trade and notes receivables.

### **Net debt-to-equity ratio**

We had a negative total equity of RMB84.3 million as of December 31, 2012, and our debt-to-equity ratio for that year is therefore not meaningful. Our net debt-to-equity ratio decreased from 126.1% as of December 31, 2013 to 96.1% as of December 31, 2014, primarily due to a decrease in our borrowings and an increase in our total equity, offset in part by a decrease in cash and cash equivalents. Our net debt-to-equity ratio decreased further to 75.4% as of October 31, 2015, primarily due to increases in our total equity and cash and cash equivalents, offset in part by an increase in interest-bearing bank borrowings.

## **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

As of the Latest Practicable Date, we had not entered into any material off-balance sheet transactions.

## **FINANCIAL RISK DISCLOSURE**

We are exposed to various types of financial risk, including interest rate risk, foreign currency risk, credit risk and liquidity risk. Our Directors confirm that, since October 31, 2015, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in “Appendix I—Accountants’ Report” to this prospectus.

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## FINANCIAL INFORMATION

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### **Interest Rate Risk**

We are exposed to the risk of changes in market interest rates related primarily to our bank borrowings with floating interest rates. See Note 28 to “Appendix I—Accountants’ Report” to this prospectus for more information on interest rates and terms of repayments of our bank borrowings. We have not used any interest swaps to hedge our exposure to interest rate risk. For each 100 basis points increase or decrease in our interest rate, our profit before tax would have decreased or increased by approximately RMB496,000, RMB1,240,000, RMB1,782,000 and RMB1,985,000 in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. This sensitivity analysis reflects only changes in the relevant variable and the actual results likely would have differed for a number of reasons.

### **Foreign Currency Risk**

We are exposed to risk of foreign exchange fluctuations in connection with our sales or purchases other than in RMB. In particular, we are exposed to foreign currency risk as we borrowed loans denominated in U.S. dollars and Mothercare-Goodbaby JV purchases products from Mothercare UK in pounds sterling for sales in China. For each 5% appreciation or depreciation of the U.S. dollar against RMB, our profit before tax would have decreased or increased by RMB0.7 million, RMB10.4 million, RMB6.9 million and RMB6.9 million in 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively. This sensitivity analysis reflects only changes in the relevant variable and the actual results likely would have differed for a number of reasons.

### **Credit Risk**

We are exposed to credit risk in relation to our cash and cash equivalents, deposits, amounts due from related parties and other receivables. Our credit risk arises from default by our counterparties, with a maximum exposure equal to the carrying amounts of these instruments. We monitor our receivable balances on an ongoing basis. Our exposure to bad debts during the Track Record Period was not significant. We manage concentrations of credit risk by customer/counterparty and by geographical region. Since we trade only with recognized and creditworthy third parties and the retail customers, we generally do not require our counterparties to provide collateral. We do not believe there to be significant concentrations of credit risk on our trade receivables as our customer base is widely dispersed in different regions.

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## FINANCIAL INFORMATION

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### Liquidity Risk

We are exposed to liquidity risk. We monitor our exposure to risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial investments and financial assets (such as trade receivables) and projected cash flows from operations. We aim to maintain an appropriate liquidity position through the use of bank loans. The following table sets forth the maturity profile of our Group's financial liabilities, based on contractual undiscounted payments, as of the dates indicated:

	As of 31 December			As of October 31,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
On demand . . . . .	569,820	217,553	145,441	118,528
Less than 3 months . . . . .	434,117	609,429	723,575	683,098
3 to 12 months . . . . .	156,002	301,183	315,866	381,186
1 to 5 years . . . . .	49,661	83,063	51,900	126,399
<b>Total</b> . . . . .	<u>1,209,600</u>	<u>1,211,228</u>	<u>1,236,782</u>	<u>1,309,211</u>

### Capital Management

We manage our capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust our capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period. We monitor capital using gearing ratio, which is our net debt (comprising interest-bearing bank borrowings, trade payables, other payables and accruals, amounts due to related parties less cash and cash equivalents and time deposits) divided by total capital (comprising equity attributable to owners of our Company) plus net debt. We had a gearing ratio of approximately 110%, 85%, 84% and 78% as of December 31, 2012, 2013 and 2014 and October 31, 2015, respectively.

### DIVIDEND POLICY

As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of our Directors. We may declare dividends in the future after taking into account our results of operations and earnings, our capital requirements and surplus, our general financial condition, contractual restrictions, and other factors as our Directors may deem relevant at such time.

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## FINANCIAL INFORMATION

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Chinese laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including HKFRSs. Some of our subsidiaries in China, which are foreign-invested enterprises, set aside part of their net profit as statutory reserves, in accordance with the requirements of relevant Chinese laws and the provisions of their respective articles of association. These portions of our subsidiaries' net profits are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future. Since we rely on our Chinese subsidiaries' dividends as the source of funds to pay dividends, these restrictions may limit or completely prevent us from paying dividends.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the Cayman Companies Law. Our Shareholders in general meetings may approve and make any declaration of dividends, which must not exceed the amount recommended by our Directors. No dividend may be declared or paid except out of our profits or reserves set aside from profits in our Directors' discretion. Dividends may also be declared and paid out of our share premium account in accordance with the Cayman Companies Law and our Articles of Association, provided that no dividend may be made out of our share premium account unless we will be able to pay our debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid.

We declared no dividends during the Track Record Period. Our Directors have decided that all of our accumulated earnings prior to December 31, 2015 will be retained by our PRC subsidiaries for use in China. Subject to the limitations described above, our Directors expect that we may pay dividends from time to time in an aggregate amount of not less than 30% of profits attributable to owners of our Company. Any future declaration of dividends may or may not reflect our prior declarations of dividends.

### LISTING EXPENSES

We incurred RMB15.9 million of listing expenses during the Track Record Period, among which RMB4.0 million was recognized as prepayments and RMB11.9 million was recognized as expenses. We expect to incur approximately RMB55.3 million of listing expenses after the Track Record Period, of which approximately RMB2.1 million will be capitalized and RMB6.2 million will be recognized as expenses for the year ended December 31, 2015 and RMB26.6 million will be capitalized and RMB20.4 million will be recognized as expenses for the year ending December 31, 2016.



## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as at October 31, 2015 as if the Global Offering had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to owners of the Company as at October 31, 2015 or any subsequent dates, including following the Global Offering.

	<b>Consolidated net tangible assets of our Group attributable to owners of the Company as at October 31, 2015</b>	<b>Estimated net proceeds from the Global Offering</b>	<b>Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of the Company</b>	<b>Unaudited pro forma adjusted net tangible assets per Share</b>	
	<b>RMB ('000)</b>	<b>RMB ('000)</b>	<b>RMB ('000)</b>	<b>RMB</b>	<b>HK\$ equivalent</b>
	<b>(Note 1)</b>	<b>(Note 2)</b>		<b>(Note 3)</b>	<b>(Note 4)</b>
Based on an offer price of HK\$2.68 per Share . . . .	316,758	684,963	1,001,721	0.75	0.89
Based on an offer price of HK\$3.76 per Share . . . .	316,758	976,760	1,293,518	0.97	1.15

*Notes:*

- The consolidated net tangible assets of our Group attributable to owners of the Company as of October 31, 2015 is extracted from “Appendix I—Accountants’ Report” to this prospectus, which is based on the audited consolidated equity attributable to owners of the Company as of October 31, 2015 of approximately RMB347,979,000 less intangible assets as of October 31, 2015 of approximately RMB12,508,000 and goodwill as of October 31, 2015 of approximately RMB18,713,000.
- The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$2.68 or HK\$3.76 per Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
- The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,333,340,000 Shares are in issue assuming the Global Offering has been completed on October 31, 2015 and an Offer Price of HK\$2.68 per Share, being the low end of the Offer Price range, and 1,333,340,000 Shares are in issue assuming that the Global Offering has been completed on October 31, 2015 and an Offer Price of HK\$3.76 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option and Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
- The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.84.
- No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to October 31, 2015.

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## FINANCIAL INFORMATION

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### PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2015

<b>Estimated consolidated profit from continuing operations<sup>(1)</sup></b> . . . . .	<b>Not less than RMB200.4 million (approximately HK\$236.5 million)</b>
<b>Less:</b>	
Loss for the year from a discontinued operation <sup>(2)</sup> . . . . .	RMB74.8 million (approximately HK\$88.3 million)
<b>Estimated consolidated profit and total comprehensive income<sup>(1)</sup></b> . . . . .	<b>Not less than RMB125.6 million (approximately HK\$148.2 million)</b>

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*Notes:*

- (1) The bases and assumptions on which the above profit estimate has been prepared are summarized in Appendix IIB to this prospectus. The Directors have prepared the estimated consolidated profit from continuing operations and the estimated consolidated profit and total comprehensive income for the year ended December 31, 2015 based on the audited consolidated results of the Group for the ten months ended October 31, 2015 and the unaudited consolidated results based on the management accounts of the Group for the two months ended December 31, 2015. The profit estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of Section II of the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) Under HKFRSs, gains or losses arising from the Discontinued Operation are included in the period in which they arise.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

### NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in our financial or trading position of our Group since October 31, 2015 and no event had occurred since October 31, 2015 that would materially and adversely affect the information in "Appendix I—Accountants' Report" to this prospectus.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

Immediately after the completion of the Global Offering (but taking no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), our direct Shareholders, namely PUD, CAEL, SGIL and ROSL, will own approximately 19.42%, 18.00%, 16.69% and 11.33%, respectively, of the issued share capital of our Company. Mr. Song, who is also our chairman and our executive Director, and Ms. Fu, our executive Director, our CEO and the spouse of Mr. Song, will together form a group of Controlling Shareholders through their respective interests in PUD, CAEL, SGIL and ROSL (all of which being investment holding entities) and are deemed to be collectively interested in approximately 65.44% of the entire issued share capital of our Company in aggregate. In addition, on November 29, 2015, Mr. Song and Ms. Fu entered into a letter of confirmation and undertakings to confirm that they are and have been parties acting in concert in relation to the exercise of their voting rights at the meetings of the shareholders and the board of directors of the members of our Group. Thus, Mr. Song and Ms. Fu are parties acting in concert and a group of controlling shareholders of our Company as defined under the Listing Rules. For Mr. Song's and Ms. Fu's background, please refer to the paragraph headed "Directors and Senior Management—Board of Directors—Executive Directors" in this prospectus.

### INTERESTS OF OUR CONTROLLING SHAREHOLDERS

Mr. Song and Ms. Fu are settlors and beneficiaries of the Grappa Trust, through which they indirectly and jointly hold the entire issued share capital of CAEL and are deemed to be interested in approximately 18.00% of the issued share capital of our Company directly held by CAEL. CAEL also directly holds approximately 51.19% in PUD, through which Mr. Song and Ms. Fu indirectly and jointly hold and are deemed to be interested in approximately 19.42% of the issued share capital of our Company directly held by PUD. In addition, Mr. Song and Ms. Fu together directly hold an aggregate of 66.66% interest in SGIL and are deemed to be interested in approximately 16.69% of the issued share capital of our Company directly held by SGIL. Ms. Fu is also the settlor and one of the beneficiaries of the Golden Phoenix Trust which, through Credit Suisse Trust Limited as its trustee, indirectly holds the entire issued share capital of ROSL, and Ms. Fu is deemed to be interested in approximately 11.33% of the issued share capital of our Company directly held by ROSL. Mr. Song is deemed to be interested in our Company through the interest held by his spouse.

### BACKGROUND OF OUR IMMEDIATE SHAREHOLDERS

#### *Background of CAEL*

CAEL was incorporated in the BVI on February 1, 2008 as an investment holding company through which its shareholders indirectly held their interests in our Company. As of the Latest Practicable Date, CAEL is 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. Credit Suisse Trust Limited 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.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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During the period between 2012 to 2013, CAEL granted options to a total of 72 employees of our Group to purchase from it in respect of a maximum of 79,110,000 Shares in aggregate depending on the satisfaction of individual performance target, representing approximately 5.93% of the issued share capital of our Company (as enlarged by the Global Offering, but taking no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme). Vesting and transfer of these option Shares are subject to the Listing and individual performance target of the grantees. For details, please refer to the paragraph headed “History, Reorganization and Corporate Structure—Grant of Purchase Options to Employees by CAEL” in this prospectus.

### *Background of PUD*

PUD was incorporated in May 2002 in the BVI as a limited liability company through which members of our Group’s management and employees indirectly held their interests in our Company.

As of the Latest Practicable Date, PUD is owned as to approximately 51.19% by CAEL, as to approximately 12.37% by Powergain Global Limited, as to approximately 9.69% by Lexidirect Corporation, and as to approximately 26.75% by a total of 126 shareholders who hold their shares individually (who are either employees or ex-employees of our Group or the GBI Group). None of these shareholders holds more than 4% interest in PUD on an individual basis. Apart from Mr. Meng Xianmin (the brother-in-law of Ms. Fu), Ms. Fu Xuemei (the sister of Ms. Fu), Ms. Xin Youhong (the niece of Mr. Song), Mr. Zhang Jiwen (the brother-in-law of Ms. Fu), and Ms. Kobler (our executive Director and the daughter of Ms. Fu), all of whom together hold 1.41% interests in PUD, other shareholders of PUD do not have any relationship with our Controlling Shareholders, save for being employees or former employees of our Group. Lexidirect Corporation is owned as to 10% by Mr. Liu, our non-executive Director, and 90% by Ms. Shi Lan, an Independent Third Party, and Powergain Global Limited is wholly-owned by Mr. Wang.

Pursuant to the shareholders agreement dated January 22, 2006 entered into between the shareholders of PUD and PUD itself, it was agreed that no share in PUD may be transferred by a PUD shareholder unless approved by a resolution duly passed by the board of PUD, or pursuant to a repurchase of shares by PUD which may only be exercised if the board of PUD determined that such shareholder is (a) engaged in any business activity either by himself or through one of his affiliates that competes with the business of our Group and the GBI Group at any time he is a shareholder of PUD or (b) has acted in breach of the shareholders agreement.

### *Background of SGIL*

SGIL is incorporated in the BVI on April 20, 2000 as an investment holding company through which its shareholders indirectly held their interests in our Company. As of the Latest Practicable Date, SGIL is owned as to 44.44% by Mr. Song, 22.22% by Ms. Fu, 16.67% by Mr. Wang, 11.11% by Mr. Liu and 5.56% by Mr. Michael Qu Nan, an Independent Third Party other than as a shareholder of SGIL.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### *Background of ROSL*

ROSL is an investment holding company incorporated in the Independent State of Samoa on September 3, 2013. As of the Latest Practicable Date, ROSL is indirectly wholly-owned by Credit Suisse Trust Limited as trustee of the Golden Phoenix Trust, a foreign discretionary revocable trust established under the laws of Guernsey. Ms. Fu is the settlor of the trust and Credit Suisse Trust Limited is the trustee of the Golden Phoenix Trust holding such interest on trust for its beneficiaries that include Ms. Fu and Ms. Kobler (our executive Director and the daughter of Ms. Fu). Ms. Fu is deemed to be interested in approximately 11.33% of the issued share capital of our Company directly held by ROSL.

### OPERATIONS RETAINED BY OUR CONTROLLING SHAREHOLDERS

#### Description and rationale for non-inclusion of the Retained Business

Immediately following the completion of the Reorganization, other than the business carried out and conducted by our Group which involves (i) the retail and distribution of MBC Products (including durable and non-durable MBC Products) under our omni-channel sales platform (the “**Omni-sales Business**”) and (ii) product design, brand management and R&D of non-durable MBC Products (the “**Design Business**”, together with the Omni-sales Business, the “**Group Business**”), our Controlling Shareholders have a collective interest of approximately 23.49% in GBI through their interest in PUD as of the Latest Practicable Date. The GBI Group, on the other hand, focuses on the durable juvenile products business, i.e. the business of manufacturing, design and R&D of durable juvenile products (the “**Retained Business**” or the “**Retained Group**”), which do not form part of our Group.

In addition, our Controlling Shareholders, Mr. Song and Ms. Fu through their aggregate 66.66% interest in SGIL also collectively hold an indirect equity interest of approximately 33.33% in an OEM diaper manufacturing business (the “**Other Retained Business**”). The Other Retained Business is operated by a joint venture company held by SGIL as to 50% and an Independent Third Party as to the other 50%. Our non-executive Director, Mr. Liu also has a 11.11% interest in SGIL and is deemed to be interested in 5.55% interest in the Other Retained Business.

Ms. Kobler, our executive Director and Mr. Liu, our non-executive Director, also have a 0.18% and 0.23% effective interest in GBI, respectively, through each of their respective shareholding in PUD.

The revenue generated from the Retained Business during the years ended December 31, 2012, 2013 and 2014 and the six-month period ended June 30, 2015 as compared with our revenue from continuing operations during the same periods were approximately 251.9%, 143.8%, 121.0% and 157.8% respectively (with the average of exchange rates from the beginning and ending dates of each of the relevant period being accounted). The revenue generated from the Other Retained Businesses in aggregate during the years ended December 31, 2012, 2013 and 2014 and the ten-month period ended October 31, 2015 as compared with our revenue from continuing operations during the same periods were approximately 2.3%, 1.6%, 1.1%, and 0.9% respectively (with the average of exchange rates from the beginning and ending dates of each of the relevant period being accounted).

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The net profit generated by the GBI Group during the years ended December 31, 2012, 2013 and 2014 and the six-month period ended June 30, 2015 as compared with the net profit generated from our continuing operations during the same periods were approximately 166%, 232%, 47% and 57% respectively (with the average of exchange rates from the beginning and ending dates of each of the relevant period being accounted). Our Group was one of the GBI Group's top five customers during the three years ended December 31, 2014 and the six months ended June 30, 2015. The contributions of our Group to the GBI Group's total revenue during the years ended December 31, 2012, 2013 and 2014 and the six-month period ended June 30, 2015 amounted to RMB 363,608,000, RMB465,960,000, RMB644,129,000 and RMB404,625,000 (with the average of exchange rates from the beginning and ending dates of each of the relevant period being accounted) which represented approximately 9.8%, 13.9%, 13.4% and 13.9% of the GBI Group's total revenue for the period, respectively.

Our Directors, including our independent non-executive Directors, are of the view that the Group Business is separate and distinct from each of the Retained Business and the Other Retained Business. Set out below is a comparison of the main elements of the respective business segment and scope of our Group Business, the Retained Business and the Other Retained Business:

Business Segment and Scope	Group Business	Retained Business	Other Retained Business
Upstream - manufacturing	Not applicable. No manufacturing business	Manufacturing business of durable juvenile products	OEM manufacturing business of diapers
Midstream - product design - brand management - R&D	Only for non-durable MBC Products	Only for durable juvenile products	Not applicable. No product design, brand management or R&D business
Downstream - distribution - sales and retail	Distribution business of all MBC Products including durable juvenile products and non-durable MBC Products	Not applicable. No retail or distribution business  Sell their own branded durable juvenile products to distributors and retailers outside of the PRC and only sell to distributors in the PRC	Not applicable. No retail or distribution business  Only manufacture on contract base

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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With regard to the products and services and customers of the Group Business, the Retained Business and Other Retained Business, please refer to the below table which demonstrates each of them are distinctive and differentiated:

	<u>Group Business</u>	<u>Retained Business</u>	<u>Other Retained Business</u>
Products and services	Omni-channel sales platform of MBC Products in China	International branded durable juvenile products operator and manufacturer	OEM of diapers
Customers	<ul style="list-style-type: none"> <li>• Distributors (non-durable MBC Products)</li> <li>• Retailers (all MBC Products)</li> <li>• End-users (all MBC Products)</li> </ul>	<ul style="list-style-type: none"> <li>• Distributors (durable juvenile products)</li> <li>• OEM brand owners (durable juvenile products)</li> </ul>	OEM brand owners (Diapers)

### DELINEATION OF BUSINESS

Our Directors are of the view that there is a clear delineation between the Group Business, and each of the Retained Business and Other Retained Business as demonstrated above as each of the respective businesses belong to different streams of the product supply chain, business scope and product categorization. As a result, none of the Retained Business and Other Retained Business would compete, or is expected to compete, directly or indirectly, with the Group Business.

We are an operator of retail business through our omni-channel retail sales platform with a customer-oriented business model, encompassing of multi-sales format which includes online sales, offline sales, mobile application sales and other sales channels for the retail and distribution of a portfolio of MBC Products (including durable juvenile products and non-durable MBC products). Such platform includes a mix of self-operated sales channels and other authorized third-party retailers, as well as our recently launched mobile application which leverages on an integrated online and offline sales network with an aim to maximize our sales and widen our end-customer network. In addition, our business also involves brand management, in-house design, R&D of apparel products and certain maternity and babycare products, a substantial portion of which are outsourced and supported by selected OEM contractors. However, we do not have any manufacturing capability.

In contrast, the Retained Business focuses on the upstream segment of the supply chain which involves the manufacturing of durable juvenile products in its own facilities and it only sells products to distributors (including our Group) in the PRC and does not have its retail sales channel in the geographic locations that we operate. The business model of the Retained Business does not overlap with that of the Group Business as it does not have its own downstream retail and distribution business and it only sells to distributors in the PRC.

The Other Retained Business solely focuses on the upstream pure OEM manufacturing of diapers under third-party brands which does not overlap with our Omni-sales Business or our Design Business. The Other Retained Business only manufactures in the PRC for one PRC supermarket third-party brand.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Given the very different business nature and products portfolio between the Group Business and each of the Retained Business and the Other Retained Business, the business strategies, management expertise, skills, resources and facilities required for the Retained Business and the Other Retained Business are also separate and significantly distinct from those of the Group Business. In view of the foregoing, our Directors believe that there is a clear separation of the Group Business, the Retained Business and the Other Retained Business. The Group Business was therefore separated and demerged from the Retained Business pursuant to the De-merger Agreement and the Reorganization. For further details, please refer to the section headed “History, Reorganization and Corporate Structure—Reorganization” in this prospectus.

We have entered into a number of agreements with the GBI Group. We believe that the GBI Group will continue to be one of the many suppliers of products distributed by us. The transactions between our Group and the GBI Group do not constitute connected transaction of our Company pursuant to Chapter 14A of the Listing Rules as our Controlling Shareholders’ interest in the GBI Group, as of the Latest Practicable Date, was approximately 23.49% and GBI is not an associate to our Controlling Shareholders pursuant to the Listing Rules.

Our Directors are of the view that no competition exists between the Group Business and each of the Retained Business and the Other Retained Business. Although we are the authorized non-exclusive distributor of the durable juvenile products manufactured by the GBI Group in the PRC, the GBI Group is only one of our many authorized suppliers and we are not dependent on the supply of products from the GBI Group on third-party branded products. In addition, we have not been involved in any dealings with, and are capable to carry on the Group Business independently of, the Other Retained Business. Each of Mr. Song and Ms. Fu confirms that, save as disclosed in this prospectus, neither of them has interests in any other businesses that competes or is likely to compete with that of our Group.

### NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that he/she will not, and will procure his/her close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business or undertaking (the “**Restricted Activity**”), or hold shares or interest in any companies or business that compete directly or indirectly with our business from time to time save and except for: (i) the interest our Controlling Shareholders held through PUD in GBI; (ii) the interest our Controlling Shareholders held through SGIL in the Other Retained Business; and (iii) where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity related to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to him/her or any of his/her close associates, he/she shall, and shall procure that his/her close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (“**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from our Board or a Board committee (in each case comprising only of independent non-executive Directors) which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such Competing Business Opportunity;
- the Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/she has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days’ period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, he/she shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that it/he/she will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public; and
- in the event that any of our Directors and/or their respective close associates have material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

### Independence of Management and Adequate Measures to Manage Conflicts

Our Group will operate and function independently from the Retained Group in terms of management upon Listing. Upon Listing, only one executive Director, namely Mr. Song, will also be the chairman and executive director of GBI. Our non-executive Director, Mr. Liu, will continue to be the chief financial officer of GBI. Other than the aforesaid, there is no other overlapping among our other Directors or the senior management team between our Group and the GBI Group. However, neither Mr. Song nor Mr. Liu will be involved in the day-to-day management of the business of our Group. Other members of our Board and senior management do not hold directorships or managerial roles in any member of the GBI Group. Further details of our Board members and members of our senior management are contained in the section headed “Directors and Senior Management” of this prospectus.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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During the Track Record Period, the daily operations of our Group are principally managed by two out of our four executive Directors, Ms. Fu and Ms. Kobler, and other members of our senior management team. These individuals held positions of responsibility in our Group throughout the Track Record Period and they will continue to form the core management of our Group upon Listing. Our executive Director, Mr. Wang Yadong is one of the founding members of our new mobile applications business operated by MAMA and has been appointed as a Director on September 25, 2015. Our Chairman and executive Director, Mr. Song, focused on and will continue upon Listing, the overall strategic planning of our Group and providing directional guidance and innovative business ideas for its development, all of which have been crucial to the growth and success of our Group. Mr. Song will not be involved in the day-to-day operations of our Group as it will be primarily managed by Ms. Fu and Ms. Kobler with the assistance of our senior management team, and such arrangement will allow Mr. Song to devote sufficient time in managing the GBI Group on a day-to-day basis whilst keeping the growth of our Group as motivated by his strategies. The business strategies of Mr. Song will, if such strategies are in the interest of our Group, be executed and implemented under the leadership of Ms. Fu and Ms. Kobler, with the assistance of our senior management team. Mr. Liu, our non-executive Director, will not be involved in the day-to-day operations and will only be giving directional guidance on the strategic positioning of our Group.

Save and except for Mr. Song, all our executive Directors will devote their time and attention to the management of our Company. Further, none of our senior management, being full-time employees, is involved in the day-to-day management of any of the companies outside our Group. All major management decisions of our Group will be made by our Board as a whole, including our independent non-executive Directors.

Notwithstanding the overlapping as described above, our Board and senior management operate as a matter of fact independently of the Retained Group, and they are in a position to fully discharge their duties to our Shareholders as a whole. Our three independent non-executive Directors are different from the independent non-executive directors of GBI. In the event that there is a potential conflict of interest, the interested Director(s) would refer the matter to our independent non-executive Directors and, as required by our Articles of Association, abstain from voting at the relevant Board meeting.

In light of the above, our Directors are of the view that there is (a) sufficient balance to the single overlapping Director and senior management, (b) our Group does not rely on the GBI Group in terms of management or day-to-day operations, (c) the management functions of our Group are conducted independently of the GBI Group, and (d) our Group has sufficient safeguard against any failure by our Board as a whole to properly take into account the interests of the Shareholders as a whole including public Shareholders after Listing.

To the best of our Directors' knowledge, information and belief, there is no transaction between our Group and PUD and the respective shareholders of PUD including our Controlling Shareholders. The transactions between our Group and the GBI Group do not constitute connected transactions of our Company pursuant to Chapter 14A of the Listing Rules.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **Operational Independence**

We independently manage and operate our Group Business and do not rely on the Controlling Shareholders, the Retained Group or other entities controlled by the Controlling Shareholders to access our suppliers, distributors and customers. Due to the different nature of business, further details of which are set out in the paragraphs headed “Operations retained by our Controlling Shareholders” and “Delineation of Business” in this section of this prospectus, our Group Business, the Retained Business and the Other Retained Business operate independently from each other as each has its own operation capacity in terms of capital, supporting resources, equipment and infrastructures, management team and employees, technical know-how and network of suppliers, distributors and customers. The customers of the Group Business includes end-users, third-party retailers and distributors in the PRC, whereas for the Retained Business, since it does not have any retailing business in the PRC, it only sells to distributors in the PRC. Our Group is one of the customers of the GBI Group. We do not believe there is a high degree of overlapping between the Group Business’s customers who are distributors and the Retained Business’s customers, to the extent there is, these distributors source only non-durable MBC Product from the Group Business and only durable juvenile product from the Retained Business. Our Group does not sell durable juvenile products to its distributors in the PRC as such distributors would source the products directly from the GBI Group given we are not authorized to do so by the GBI Group.

Our Group also holds all relevant licenses that are material to our business operations. Pursuant to the De-merger Agreement, the trademarks in connection with business activities within the business scope of our Group were either transferred or being transferred to our Group. Please see the sections headed “Relationship with the GBI Group — The GBI Group Retained by our Controlling Shareholders and Independence from our Controlling Shareholders” and “Statutory and General Information — Information About our Business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for details of our intellectual property rights. We are in the process of registering the transfer of these trademarks with the relevant government authorities.

Based on the foregoing, our Directors are of the view that we do not rely on our Controlling Shareholders, the Retained Business or the Other Retained Business for our business operations.

### **Financial Independence**

As of the Latest Practicable Date, we do not have any outstanding loans granted by our Controlling Shareholders or the entities controlled by them to us or any guarantees provided by them to support our credit facilities. We believe we are capable of obtaining financing from third parties without reliance on our Controlling Shareholders or the entities controlled by them. We also have our own accounting and finance department and financial management systems, independent treasury functions for cash receipts and payments and independent access to financing which are not connected or otherwise related to our Controlling Shareholders or entities controlled by them. Based on the above, our Directors are of the view that we are financially independent from our Controlling Shareholders.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Administrative Independence

All essential administrative functions of our Group are handled by our Group's employees and third-party contractors of our Group independent from our Controlling Shareholders, or entities controlled by them. Our Group leases its offices, shops and warehouses from Independent Third Parties. All essential administrative functions of our Group have been and will be carried out without the support of our Controlling Shareholders, the Retained Group, or entities controlled by them.

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflicts of interests arising from the possible competition between our Group Business and each of the Retained Business and the Other Retained Business and to safeguard the interest of the Shareholders:

- (i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-Competition;
- (ii) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition by our Group and the Retained Group in the annual reports of our Company;
- (iii) our Directors will comply with our Articles of Association which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested;
- (iv) pursuant to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the “CG Code”), our Directors, including the independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at the costs of our Company;
- (v) all connected transactions between our Company and our connected persons will be subject to annual review by our independent non-executive Directors as well as the auditors of our Company;
- (vi) our compliance department will be responsible for ensuring that the existing business portfolios will be consistent with our business scope and we will not acquire property management companies or bid for property management contracts for pure commercial properties;
- (vii) in respect of the business opportunity referred to us by the Retained Group under the Deed of Non-Competition, our independent non-executive Directors will review all information and documents provided by it in respect of the same;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (viii) our Directors will ensure that any material conflict or potential conflict of interests involving the Controlling Shareholders and the Retained Group will be reported to our independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities;
- (ix) our Company has appointed a compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and internal control;
- (x) we have an established compliance department headed by Ms. Fu, our executive Director, to conduct a review on the effectiveness of such internal control measures on a half-yearly basis to ensure due compliance of the Deed of Non-Competition; and
- (xi) furthermore, our Company will disclose the basis of any decision made by the Company relating to compliance and enforcement of the Deed of Non-Competition in our annual reports and/or by way of an announcement.

Our Company will comply with the CG Code which sets out principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviation from it in the corporate governance report which will be included in our annual report.



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## RELATIONSHIP WITH THE GBI GROUP

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### OVERVIEW

We demerged from the GBI Group in 2010 pursuant to the De-merger Agreement. GCCL, our subsidiary, acquired certain businesses from GCPC that were excluded and demerged from the GBI Group which involved, at the time of the de-merger, retail and distribution of MBC Products (including durable juvenile and non-durable MBC Products) and the manufacturing, design and R&D of non-durable MBC Products, which has since been operated by GCCL.

As of the Latest Practicable Date, our Controlling Shareholders, Mr. Song, our chairman and executive Director, and Ms. Fu, our executive Director and CEO and the spouse of Mr. Song, were deemed to be collectively and indirectly interested in approximately 23.49% of the entire issued share capital of GBI for the purpose of Part XV of the SFO. Such interest was held through their respective indirect interest in PUD, a direct shareholder of GBI which owns approximately 23.36% interest in GBI, and Ms. Fu, who has a deemed interest of approximately 0.13% in GBI following a grant of 1,390,000 share options by GBI on September 29, 2014 under its share option scheme adopted on November 5, 2010.

For Mr. Song's and Ms. Fu's background and their respective experience in the GBI Group, and the further details in relation to the distributorship agreements entered into between us and the GBI Group, please refer to the paragraphs headed "Directors and Senior Management — Board of Directors — Executive Directors" and "Business — Our Brands and Products — Brands — Goodbaby Brands — Durable juvenile products" of this prospectus.

### Business Relationship

Our business primarily involves (i) the retail and distribution of MBC Products (including durable juvenile and non-durable MBC Products) under our omni-channel sales platform; and (ii) to a lesser extent, the product design, brand management and research and development of non-durable MBC Products (primarily including apparel for babies and children and maternity and baby care products) but the production of our apparel for babies and children and maternity and baby care products under the brands of Goodbaby and Family by GB has been outsourced to selected OEM contractors in China. The GBI Group focuses on the business of durable juvenile products involving the manufacturing, design and R&D of such products. The GBI Group has a distinctive business from our Group and does not form part of our Group.

We are the authorized non-exclusive distributor of the durable juvenile products manufactured by the GBI Group in the PRC. Each of the GBI Group's distributors, including our Group, is authorized to distribute its products within specific distribution areas and channels. During the three years ended December 31, 2014 and ten months ended October 31, 2015, the GBI Group was one of our top five suppliers and accounted for approximately 32.2%, 32.6%, 37.0% and 29.4% of our total purchases for the years ended December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2015.

In October 2015, we entered into a new distributorship agreement with the GBI Group, which has a term of three years commencing from January 1, 2016 to December 31, 2018. As the transactions between our Group and the GBI Group constitute continuing connected transactions of the GBI Group

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## RELATIONSHIP WITH THE GBI GROUP

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pursuant to Chapter 14A of the Listing Rules, the distributorship agreement also sets forth annual caps for which we can procure products from the GBI Group, which amounted to RMB406.9 million, RMB630.8 million, RMB977.7 million and RMB1,466.5 million in 2012, 2013, 2014 and 2015, respectively. The new distributorship agreement that will become effective on January 1, 2016 sets forth annual caps for which we can procure products from the GBI Group, which amount to RMB1.11 billion, RMB1.45 billion and RMB1.87 billion in 2016, 2017 and 2018, respectively.

### TRANSACTIONS BETWEEN OUR GROUP AND THE GBI GROUP

Our Controlling Shareholders hold in aggregate less than 30% interest in GBI. As of the Latest Practicable Date, our Controlling Shareholders have a collective interest of approximately 23.49% interest in GBI through their interest in PUD. Hence, neither GBI nor its subsidiaries is associates of our Controlling Shareholders pursuant to Chapter 14A of the Listing Rules and the GBI Group is not a connected person of our Company. As such, any transaction between our Group and the GBI Group does not constitute connected transactions of our Group pursuant to the Listing Rules.

On the other hand, immediately after the completion of the Global Offering (but taking no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), Mr. Song (the chairman and an executive director of GBI), together with his spouse, Ms. Fu, will together form a group of Controlling Shareholders through their respective interests in PUD, CAEL, SGIL and ROSL (all of which being investment holding entities) and are deemed to be collectively interested in approximately 65.44% of the entire issued share capital of our Company. Hence, our Company is an associate of a connected person of GBI. For GBI, any transaction between the GBI Group and our Group constitutes connected transaction of the GBI Group pursuant to the Listing Rules. We have entered into a number of agreements with the GBI Group. We believe that the GBI Group will continue to be one of the many suppliers of products distributed by us. As a result of which, the following transactions between the GBI Group and our Group constitute continuing connected transaction of the GBI Group but not our Group:

- (i) the master supply agreement dated 7 October 2015 entered into between GBHK, a member of the GBI Group, and our Company, pursuant to which GBHK agreed to supply, or procure its subsidiaries to supply, certain durable juvenile products to our Group for domestic sales for a fixed term of three years commencing from 1 January 2016 and ending on 31 December 2018, and our Company agreed to distribute or procure its subsidiaries to distribute the such products supplied by GBHK and its subsidiaries in the domestic market; and
- (ii) the supplemental supply agreement dated 7 October 2015 entered into between GCPC, a member of the GBI Group, and GCCL, a member of our Group, pursuant to which GCCL agreed to supply certain infants' and children's products packaged as gift products to GCPC (to be used as free gifts for sales of GCPC's products) for a fixed term of three years commencing from 1 January 2016 to 31 December 2018.

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## RELATIONSHIP WITH THE GBI GROUP

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For details of Mr. Song's and Ms. Fu's shareholding interests in our Company, please refer to the sections headed "Relationship with our Controlling Shareholders" and "Substantial Shareholders" in this prospectus.

### Management

Upon Listing, our chairman and executive Director, Mr. Song, will also be the chairman, an executive director and the CEO of GBI. Our non-executive Director, Mr. Liu, will continue to be the chief financial officer of GBI.

Other than the aforesaid, our Board and the board of GBI function independently. The respective boards have different independent non-executive directors and there is no overlapping among the senior management team between our Group and the GBI Group. For further details as to the independence of management between our Group and the GBI Group, please refer to the paragraph headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Independence of Management and Adequate Measures to Manage Conflicts" of this prospectus.

### Intellectual Properties

We and the GBI Group use different categories of the same "Goodbaby" and "Happy Dino" trademarks under the Goodbaby Brands in connection with our respective business operations following the de-merger of our Group from the GBI Group in 2010.

Pursuant to the De-merger Agreement, the GBI Group should transfer certain categories of the "Goodbaby" and "Happy Dino" trademarks that are related to our business operations and within our business scope including the sourcing, distribution and retail of MBC Products and the manufacturing, design and R&D of non-durable MBC Products (which amounts to 164 registered trademarks and two trademark applications) (the "**De-merger Trademarks**") to our Group as part of the de-merger of the GBI Group (the "**Trademark Transfer**"). To clarify the rights our Group has on the De-merger Trademarks, the parties to the De-merger Agreement entered into the De-merger Supplemental Agreement on November 1, 2010, pursuant to which, the GBI Group authorized us to exclusively use the De-merger Trademarks before the completion of the Trademark Transfer without any royalty or licensing fee and agreed to waive all rights or claims (if any) with respect to the De-merger Trademarks retrospectively from the date of the De-merger Agreement. The use of the De-merger Trademarks is not subject to any duration limitation before the completion of the Trademark Transfer. Any new Group companies set up after the date of the De-merger Agreement are also authorised by the GBI Group to use the De-merger Trademarks on the same terms and without any royalty payment.

The GBI Group continues to own and have registered the remaining categories of these "Goodbaby" and "Happy Dino" trademarks that are related to its business operations and its business scope, including concept design, product design, research and development, raw materials sourcing, production, marketing and promotion, and sales and distribution of durable juvenile products.

Please see "Appendix IV — Statutory and General Information" for details of the trademark transfer.

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## RELATIONSHIP WITH THE GBI GROUP

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Following the de-merger, our Group has been using the De-merger Trademarks with the authorization from the GBI Group. Hence, our Group is within its legal rights to use the De-merger Trademarks. To legally and properly separate the rights to such trademarks between our Group and the GBI Group and in view of the implementation of the preparation for the listing plan of our Group, we commenced the transfer and registration of the De-merger Trademarks with the relevant government authorities in the first half of 2015 as soon as our listing plan was confirmed. The De-merger Agreement does not set out any time frame for the Trademark Transfer and the Trademark Transfer were still in progress as of the Latest Practicable Date. We have received the acceptance letter from the Trademark Office of SAIC with respect to the Trademark Transfer and expect the Trademark Transfer to be completed by no later than the end of December 2016, given the Trademark Office of SAIC will take time to process the relevant registration procedures which is, as advised by our PRC legal adviser, expected to be within a period of eight to sixteen months. In view of the grant of such acceptance letter which indicated the acceptance of the application by the Trademark Office, as advised by our PRC legal adviser, although the registration of the Trademark Transfer is not completed as of the Latest Practicable Date, it considers the remainder of the transfer to be largely administrative and procedural driven and that there is no legal impediment to the completion of the Trademark Transfer. Given the GBI Group authorized us to use such trademarks before the Trademark Transfer is completed, there will not be any material adverse impact on our operations and the relevant contingency plans, even if such transfer had not been completed as of the Latest Practicable Date. Our Company and the GBI Group have not entered into any agreements or arrangements in relation to sharing the marketing and promotion expenses in connection with the use of the same brands.

### THE GBI NON-COMPETITION DEED

For the purpose of the listing and protecting the business interest of the GBI Group, the then controlling shareholders of GBI (including our Controlling Shareholders) (the “**GBI Controlling Shareholders**”), the executive directors and non-executive directors of GBI (collectively, the “**Covenantors**”) entered into the non-competition deed with GBI (the “**GBI Non-Competition Deed**”). Pursuant to the GBI Non-Competition Deed, the Covenantors granted an option (the “**Option**”) to the GBI Group to purchase any part or all of our business at a price to be negotiated and agreed between GBI and the controlling shareholders of GBI during the non-competition period (the “**GBI Non-Competition Period**”). The GBI Non-Competition Period refers to the period commencing from the listing date of GBI and until the earlier of the date that (i) the shares of GBI are no longer listed on the Stock Exchange; or (ii) the date on which the Covenantors together directly or indirectly holds less than 30% of the issued share capital of GBI.

The GBI Non-Competition Period had already lapsed since February 24, 2012 as the GBI Controlling Shareholders together directly or indirectly held less than 30% of the issued share capital of GBI since such date. As of the Latest Practicable Date, Mr. Song and Ms. Fu, the then GBI Controlling Shareholders, were deemed to be collectively interested in approximately 23.49% of the entire issued share capital of GBI in aggregate for the purpose of Part XV of the SFO.

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## RELATIONSHIP WITH THE GBI GROUP

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### **THE GBI GROUP RETAINED BY OUR CONTROLLING SHAREHOLDERS AND INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

Our Directors are of the view that there is a clear delineation between the business operated by us and the GBI Group having considered the different nature and models of businesses, the further details of which are set out in the paragraphs headed “Operations Retained by our Controlling Shareholders”, “Delineation of Business” and “Independence from our Controlling Shareholders” in the section headed “Relationship with our Controlling Shareholders” of this prospectus. As a result, the GBI Group is operated and managed independently from us managerially, operationally, financially and administratively and the GBI Group does not and is not expected to compete, directly or indirectly, with us.

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## CONNECTED TRANSACTIONS

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### OVERVIEW

Pursuant to the joint venture arrangement between our Group and Mothercare International (Hong Kong) Limited (“**Mothercare HK**”) to set up a joint venture company, (i) MGCR, Geoby International Holdings Limited (the then holding company of MGCR), Mothercare HK and Mothercare UK Limited (“**Mothercare UK**”) (the holding company of Mothercare HK) entered into a joint venture agreement on July 11, 2007 (the “**JV Agreement**”) under which the parties agreed to set up MGRL, as a wholly foreign owned enterprise in the PRC; (ii) MGRL, as licensee, and Mothercare UK, as licensor, entered into a trademark license and technical assistance agreement (the “**Trademark License Agreement**”) on the same date in respect of their ongoing business relationship; and (iii) MGRL, as licensee, and Mothercare UK, as licensor, entered into an e-commerce addendum agreement (the “**Trademark License Addendum Agreement**”) on March 1, 2014 to extend the rights licensed and granted under the Trademark License Agreement to cover online sales operated by pre-approved webstores of MGRL. The JV Agreement, the Trademark License Agreement and the Trademark License Addendum Agreement have taken effect from their respective date of signing until the end of the business operation period of MGRL, which is subject to a fixed term of 30 years as stipulated in its business license. MGRL was established in 2007 and its business operation period will expire in 2037.

Our non wholly-owned subsidiary, MGRL, is held as to 30% indirectly by Mothercare HK, a wholly-owned subsidiary of Mothercare UK, and 70% indirectly by our Company. As such, Mothercare UK and its associates (as defined under the Listing Rules) will be connected persons of the Company at the subsidiary level for the purpose of the Listing Rules upon Listing. Accordingly, any transactions between MGRL or any other member of the Group and Mothercare UK and/or its associates, will, upon Listing, constitute connected transactions of the Group under Chapter 14A of the Listing Rules.

Mothercare UK is a British retailer which specializes in products for expectant mothers and in general merchandise for young children. Mothercare Plc, the holding company of Mothercare UK is listed on the London Stock Exchange.

### CONTINUING CONNECTED TRANSACTIONS

#### **Continuing Connected Transactions Exempted From Independent Shareholders’ Approval**

##### *Support Arrangement*

##### *Background and reason for the transaction*

Under the Trademark License Agreement and the Trademark License Addendum Agreement, Mothercare UK, as proprietary owner of certain trademarks, trade names and licensed information, (i) granted MGRL a non-transferrable and exclusive license to use the trademarks, trade names and licensed information of Mothercare UK in connection with the business of MGRL including all online

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## CONNECTED TRANSACTIONS

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sales by pre-approved webstores of MGRL; and (ii) agreed to provide technical assistance and training service to MGRL (the “**Support Arrangement**”). According to the Trademark License Agreement and the Trademark License Addendum Agreement, the Support Arrangement shall remain in force until MGRL ceases to exist.

MGRL has been using Mothercare’s trademark, trade names and licensed information of Mothercare UK as well as the technical assistance provided by Mothercare UK during and prior to the Track Record Period since the establishment and commencement of operations of MGRL. Pursuant to the JV Agreement, MGRL has agreed to source the maternity, baby and child’s products under the Mothercare Brands (“**Mothercare Products**”) from Mothercare UK and/or its wholly-owned subsidiaries (together, the “**Mothercare Group**”). The Mothercare Group has been the designated preferred supplier of MGRL. The layout of the stores operated by MGRL and the products offered in stores and the webstores have to be agreed and pre-approved by Mothercare UK, hence, the exclusive trademark license and the technical assistance provided by Mothercare UK under the Support Arrangement are essential for MGRL’s operation and continual expansion in the future.

### Pricing

Under the Support Arrangement, MGRL has agreed to pay to Mothercare UK an annual royalty fee of 5% of the total net retail sales (including offline and online sales) of the current financial year of MGRL.

### Historical transaction value

For the years ended December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2015, the royalty fee paid by MGRL to Mothercare UK amounted to RMB6,770,886, RMB10,306,265, RMB13,719,204 and RMB12,076,017, respectively. The increase in the royalty fee paid by MGRL was due to the rapid growth in the total net offline and online retail sales of MGRL due to the expansion of the offline and online retail business and the increase in the number of offline retail stores and webstores of MGRL during the Track Record Period.

### Proposed annual cap and basis of the annual cap

For the remaining term of the Trademark License Agreement and the Trademark License Addendum Agreement, the annual cap for the royalty payments under the Support Arrangement in a financial year is set at 5% of the MGRL’s total net retail sales of that financial year. The total net retail sales of MGRL amounted to RMB135,417,720, RMB220,020,285, RMB303,691,684 and RMB247,046,042 for the years ended December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2015, respectively.

In determining the above annual cap, our Directors have considered (i) the historical total net retail sales of MGRL; and (ii) the pricing term of the Support Arrangement as set out in the Trademark License Agreement and the Trademark License Addendum Agreement.



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## CONNECTED TRANSACTIONS

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Our Directors currently expect that, pursuant to Chapter 14A of the Listing Rules, the applicable percentage ratios (as defined under the Listing Rules) with respect of the transactions under the Support Arrangement would be more than 1% but less than 5%. The transactions under the Support Arrangement are connected transactions of the Company only because they involve a connected person at the subsidiary level. Thus, according to Rule 14A.76 of the Listing Rules, the transactions under the Support Arrangement will be exempted from the independent shareholders' approval requirements but subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

### **Non-exempt Continuing Connected Transactions**

#### *Purchase Arrangement*

##### Background and reason for the transaction

Under the JV Agreement, MGRL has agreed to source the Mothercare Products from the Mothercare Group for resale (the "**Purchase Arrangement**"). Under the Purchase Arrangement, the Mothercare Group has been the designated preferred supplier of MGRL.

Pursuant to the JV Agreement, MGRL has agreed to source the Mothercare Products from the Mothercare Group. MGRL has been sourcing and procuring the Mothercare Products from the Mothercare Group during and prior to the Track Record Period since the establishment and commencement of operations of MGRL. The layout of the stores operated by MGRL, the webstores and the products offered in such stores have to be agreed and pre-approved by Mothercare UK, hence, the sourcing and procurement of the Mothercare Products from the Mothercare Group under the Purchase Arrangement are essential for MGRL's operation and continual expansion in the future.

##### Pricing

Under the Purchase Arrangement, all of prices of the Mothercare Products sourced from the Mothercare Group are pre-set by Mothercare UK.

##### Historical transaction value

For the years ended December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2015, the total purchases of the Mothercare Products amounted to approximately RMB48,137,931, RMB50,692,879, RMB86,983,826 and RMB60,573,867, representing approximately 35.55%, 23.04%, 28.64% and 24.52% of the total net retail sales by MGRL respectively. The increase in the transaction amount was due to the rapid growth in the total net offline and online retail sales of MGRL due to the expansion of the offline and online retail business and the increase in the number of offline retail stores and webstores of MGRL during the Track Record Period.

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## CONNECTED TRANSACTIONS

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### Proposed annual cap and basis of the annual cap

For the remaining term of the JV Agreement, the annual cap for the transactions under the Purchase Arrangement in a financial year is set at 42% of MGRL's total net retail sales of that financial year.

In determining the above annual cap, our Directors have considered (i) the historical sales of MGRL; (ii) the historical proportion of the total purchases of merchandise by MGRL represented by the purchases of Mothercare Products from the Mothercare Group out of the total net retail sales of MGRL; (iii) the increasing popularity of the Mothercare Products; (iv) the expected increase in the number of the MGRL offline retail stores and webstores to be opened in coming years; and (v) the positive outlook of the MBC Products retail market. In addition, a buffer is built in for any unexpected increase in transaction volume, and/or unit purchase cost and/or fluctuation in foreign exchange rate.

Our Directors currently expect that, pursuant to Chapter 14A of the Listing Rules, the applicable percentage ratios (as defined under the Listing Rules) with respect of the transactions under the Purchase Arrangement would be more than 5%. Thus, according to Chapter 14A of the Listing Rules, the transactions under the Purchase Arrangement will be subject to the annual review, reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **APPLICATION FOR WAIVERS**

The Company has made an application to the Stock Exchange and has been granted a waiver by the Stock Exchange from strict compliance with Rules 14A.52 and 14A.53 of the Listing Rules and pursuant to Rule 14A.105 of the Listing Rules.

### **Waiver Pursuant to Rules 14A.52 and 14A.53**

Under Rule 14A.52 of the Listing Rules, the period of the agreement for a continuing connected transaction must be for a fixed period and not exceed three years except in special circumstances where the nature of the transaction requires the agreement to be of a longer period. Under Rule 14A.53(1) of the Listing Rules, an annual cap expressed in monetary terms must be set for continuing connected transactions. The Company has made an application to the Stock Exchange and has been granted a waiver by the Stock Exchange from compliance with Rules 14A.52 and 14A.53(1) in respect of the respective annual caps of the transactions under the Purchase Arrangement and the Support Arrangement to be expressed as a percentage of MGRL's total net retail sales with no obligations to renew the annual cap every three years on the conditions set out below:

- (i) the setting of the annual cap expressed as a percentage of MGRL's total net retail sales was reviewed by an independent appraisal agent using market comparables;
- (ii) any change to the basis of calculating the MGRL's total net retail sales would be subject to the approval of Shareholders; and

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## CONNECTED TRANSACTIONS

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- (iii) our Company undertakes to separately disclose in our future interim and annual financial statements the calculation of royalty fee, amount of royalty fee paid to Mothercare UK, the amount purchased from Mothercare UK, the amount of MGRL's total net retail sales and other related amounts during the term of the Purchase Arrangement and the Support Arrangement.

Our Directors are of the view that an annual cap with a fixed monetary amount for the transactions under each of the Purchase Arrangement and the Support Arrangement would impose an arbitrary ceiling on the sales of the Mothercare Products by MGRL and hence the total net retail sales and profit of MGRL. The objective of the joint venture is to maximize the sales of the Mothercare Products and hence, the profit of both shareholders of MGRL. Furthermore, given (i) the expected growth in the MBC Products retail market and that future changes in the demand for Mothercare Products in the retail market is beyond our control; and (ii) the fluctuations in the mix (and thus the aggregate price) of the variety of the Mothercare Products to be supplied from Mothercare Group to MGRL in response to the evolving retail market demands for MBC Products in the future, an alternative non-monetary cap based on a percentage of MGRL's total net retail sales is appropriate in the circumstances because it will be difficult for the Company to reasonably estimate the monetary annual cap and prejudicial and disruptive to the Group's operations if it was required to seek independent shareholders' approval regularly to approve an increase in the monetary annual cap. Our Directors are, therefore, of the view that that it is not in the interest of the Company and its Shareholders to impose an annual cap in monetary terms for each of the Purchase Arrangement and the Support Arrangement as prescribed by Rule 14A.53(1).

Further, in light of the joint venture relationship between the Group and the Mothercare Group, our Directors are of the view that each of the Purchase Arrangement and the Support Arrangement requires a period corresponding to the term of the joint venture and exceeding three years as stipulated in Rule 14A.52 due to the reasons that (i) the Purchase Arrangement and the Support Arrangement are part and parcel of the joint venture between our Group and the Mothercare Group which should run the same term as MGRL; (ii) the longer duration is necessary to provide long term stability for the joint venture between an international brand company establishing a presence in the PRC market with a PRC partner, and thus to our Group's business in retail sales of the maternity, baby and child's products under the Mothercare brand for which the Mothercare Group is the preferred supplier; and (iii) a renewal of the term every three years subject to independent shareholders' approval would defeat the objective and the agreed duration of the joint venture and prejudice, and adversely impact the interest of our Group and its relationship with the Mothercare Group as a whole. Our Directors are, therefore, of the view that that it is not in the interest of the Company and its Shareholders to impose a fixed term of three years for each of the Purchase Arrangement and the Support Arrangement as prescribed by Rule 14A.52.

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## CONNECTED TRANSACTIONS

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Our Directors (including the independent non-executive Directors) are of the view that the long duration of the Purchase Arrangement and the Support Arrangement for a term exceeding three years and the proposed respective non-monetary annual caps in percentage term for the Purchase Arrangement and the Support Arrangement are fair and reasonable as far as the Company and the Shareholders as a whole are concerned, and that it is normal business practice for agreements such as the Purchase Arrangement and Support Arrangement to be of relatively long duration corresponding to the term of the joint venture. Our Directors (including the independent non-executive Directors), are also of the opinion that the Purchase Arrangement and the Support Arrangement have been entered into and will be carried out in the ordinary and usual course of business of the Group and that all such transactions will be conducted on normal commercial terms, and that the respective terms of the Purchase Arrangement and the Support Arrangement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Waiver under 14A.105**

Pursuant to Rule 14A.105 of the Listing Rules, the Company has made an application to the Stock Exchange and has been granted a waiver by the Stock Exchange from strict compliance with Rules 14A.35, and 14A.36 of the Listing Rules with respect to the Purchase Arrangement. Since the Purchase Arrangement will be carried out in the Group's ordinary course of business on a regular basis, the Directors are of the view that strict compliance with the requirements of announcement and independent shareholders' approval will not be practical and will add unnecessary administrative costs to the Company.

Pursuant to Rule 14A.105 of the Listing Rules, the Company has made an application to the Stock Exchange and has been granted a waiver by the Stock Exchange from strict compliance with Rule 14A.35 of the Listing Rules, with respect to the Support Arrangement. Since the Support Arrangement will be carried out in the Group's ordinary course of business on a regular basis, the Directors are of the view that strict compliance with the requirements of announcement will not be practical and will add unnecessary administrative costs to the Company.

### **CONFIRMATION FROM THE SOLE SPONSOR**

Based on the documents, information and historical figures provided by our Company and the Sole Sponsor's participation in due diligence and discussions with our Company in respect of the Purchase Arrangement and the Support Arrangement, the Sole Sponsor is of the view that:

- (i) the Purchase Arrangement and the Support Arrangement for which waivers are sought have been entered into and will be carried out in the ordinary and usual course of business of our Group on normal commercial terms, and that the respective terms of the Purchase Arrangement and the Support Arrangement are fair and reasonable and in the interest of our Company and the Shareholders as a whole;

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## CONNECTED TRANSACTIONS

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- (ii) considering the background of the joint venture between our Group with a renowned international brand company which cannot be easily substituted; the establishment of a presence of such international brand in the PRC as well as the business of MGRL require long term stability; and the information provided by our Company as to the Purchase Arrangement and the Support Arrangement, the Sole Sponsor is not aware of any matter which indicates that the longer term provided for under the Purchase Arrangement and the Support Arrangement are unreasonable. Further, the Sole Sponsor note that our Group has also entered into joint venture agreements with other joint venture partners which are of a duration longer than three years. Based on the information and reasoning above and in light of the particular circumstances of our Company and MGRL, it is the normal business practice for agreements in the nature of the Purchase Agreement and the Support Arrangement to have a long duration corresponding to an initial fixed term of 30 years; and
- (iii) the respective proposed non-monetary annual caps for and the long duration of the Purchase Arrangement and the Support Arrangement are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

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## SHARE CAPITAL

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The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme):

		Nominal value HK\$
<b><u>Authorized share capital:</u></b>		
<u>10,000,000,000</u>	Shares of HK\$0.0000001 each .....	<u>1,000</u>
		Nominal value HK\$
<b>Shares issued and to be issued, fully paid or credited as fully paid:</b>		
1,000,000,000	Shares in issue as of the date of this prospectus .....	100
<u>333,340,000</u>	Shares to be issued under the Global Offering .....	<u>33.334</u>
<u>1,333,340,000</u>	Total .....	<u>133.334</u>

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering is made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (1) 20% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme); and
- (2) the total nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information—A. Further information about our Group—3. Resolutions in writing of our Shareholders passed on January 6, 2016" in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information—A. Further information about our Group—6. Repurchases of our Shares" in Appendix IV to this prospectus.



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## SHARE CAPITAL

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This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information—A. Further information about our Group—3. Resolutions in writing of our Shareholders passed on January 6, 2016" in Appendix IV to this prospectus.

### PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme and the Pre-IPO Share Option Scheme. Summaries of the principal terms of the Share Option Scheme and the Pre-IPO Share Option Scheme are set out in the sections headed "Statutory and General Information—D. Other information—1. Share Option Scheme and 2. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing special resolution. For further details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Companies Law—2. Articles of Association—2.5 Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Companies Law—2. Articles of Association—2.4 Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive officer as of the Latest Practicable Date, the following persons will, immediately prior to and following the completion of the Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the Global Offering and as of the Latest Practicable Date <sup>(1)(2)</sup>		Shares held immediately following the completion of the Global Offering <sup>(1)</sup>	
		Number	Percentage (approximately)	Number	Percentage (approximately)
PUD (Note 3)	Beneficial owner	259,000,000(L)	25.90%	259,000,000(L)	19.42%
CAEL (Note 3-4)	Beneficial owner	240,000,000(L)	24.00%	240,000,000(L)	18.00%
	Interest in a controlled corporation	259,000,000(L) 79,110,000(S)	25.90% 7.91%	259,000,000(L) 79,110,000(S)	19.42% 5.93%
Credit Suisse Trust Limited (Note 4-5)	Trustee	499,000,000(L) 79,110,000(S)	49.90% 7.91%	499,000,000(L) 79,110,000(S)	37.42% 5.93%
	Trustee	151,000,000(L)	15.10%	151,000,000(L)	11.33%
Grappa Holdings Limited (Note 4)	Interest in a controlled corporation	499,000,000(L) 79,110,000(S)	49.90% 7.91%	499,000,000(L) 79,110,000(S)	37.42% 5.93%
Seletar Limited (Note 4)	Interest in a controlled corporation	499,000,000(L) 79,110,000(S)	49.90% 7.91%	499,000,000(L) 79,110,000(S)	37.42% 5.93%
Serangoon Limited (Note 4)	Interest in a controlled corporation	499,000,000(L) 79,110,000(S)	49.90% 7.91%	499,000,000(L) 79,110,000(S)	37.42% 5.93%
ROSL (Note 5)	Beneficial owner	151,000,000(L)	15.10%	151,000,000(L)	11.33%
Golden Phoenix Limited (Note 5)	Interest in a controlled corporation	151,000,000(L)	15.10%	151,000,000(L)	11.33%
Ms. Fu (Note 3-6)	Settlor/beneficiary of trusts	650,000,000(L) 79,110,000(S)	65.00% 7.91%	650,000,000(L) 79,110,000(S)	48.75% 5.93%
	Interest of spouse	222,478,962(L)	22.24%	222,478,962(L)	16.69%

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Shares held immediately prior to the Global Offering and as of the Latest Practicable Date <sup>(1)(2)</sup>		Shares held immediately following the completion of the Global Offering <sup>(1)</sup>	
		Number	Percentage (approximately)	Number	Percentage (approximately)
SGIL (Note 6) . . . . .	Beneficial owner	222,478,962(L)	22.24%	222,478,962(L)	16.69%
Mr. Song (Note 3-6) . . . . .	Interest in a controlled corporation	222,478,962(L)	22.24%	222,478,962(L)	16.69%
	Settlor/beneficiary of a trust	499,000,000(L) 79,110,000(S)	49.90% 7.91%	499,000,000(L) 79,110,000(S)	37.42% 5.93%
	Interest of spouse	151,000,000(L)	15.10%	151,000,000(L)	11.33%
Ms. Kobler (Note 3 and 5) . . . . .	Beneficiary of a trust	151,000,000(L)	15.10%	151,000,000(L)	11.33%
	Interest in a controlled corporation	1,959,594(L)	0.20%	1,959,594(L)	0.15%

*Notes:*

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) The letter “S” denotes the person’s short position in our Shares. It represents the number of Shares in respect of which CAEL has granted options to purchase to 72 of our employees subject to certain terms and conditions.
- (3) PUD is owned as to approximately 51.19% by CAEL, approximately 12.37% by Powergain Global Limited, approximately 9.69% by Lexidirect Corporation, and approximately 26.75% by other 126 shareholders who hold their shares individually, which include current employees or ex-employees of our Group and the GBI Group (including approximately 0.76% held by Ms. Kobler). None of these other shareholders holds more than 4% interest in PUD on an individual basis. Lexidirect Corporation is owned as to 10% by Mr. Liu, our non-executive Director, and 90% by Ms. Shi Lan, an Independent Third Party, and Powergain Global Limited is wholly-owned by Mr. Wang. Therefore, CAEL is deemed or taken to be interested in all the Shares which are beneficially owned by PUD for the purpose of Part XV of the SFO.
- (4) CAEL is 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. Credit Suisse Trust Limited is the trustee holding such interest on trust for the beneficiaries of a trust that include Mr. Song, our Executive Director, Ms. Fu, our Executive Director and the spouse of Mr. Song, and family members of Mr. Song and Ms. Fu. Therefore, Mr. Song and Ms. Fu are deemed or taken to be interested in all the Shares which are owned by CAEL for the purpose of Part XV of the SFO. During the period between 2012 to 2013, CAEL granted options to 72 employees of our Group to purchase from it an aggregate of approximately 5.93% of the issued share capital of our Company (where the maximum number of options has been granted) (as enlarged by the Global Offering, but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme). Vesting and transfer of these option Shares are subject to the Listing and satisfaction of individual performance target of the grantees.

## SUBSTANTIAL SHAREHOLDERS

- (5) ROSL is indirectly wholly-owned by Credit Suisse Trust Limited as trustee of the Golden Phoenix Trust, a foreign discretionary revocable trust established under the laws of Guernsey. Ms. Fu is the settlor of the trust and Credit Suisse Trust Limited is the trustee holding such interest on trust for the beneficiaries that include Ms. Fu and Ms. Kobler. Therefore, Ms. Fu and Ms. Kobler are deemed or taken to be interested in all the Shares which are owned by ROSL for the purpose of Part XV of the SFO. Mr. Song is the spouse of Ms. Fu. Therefore, Mr. Song is deemed or taken to be interested in all the Shares which are interested by Ms. Fu for the purpose of Part XV of the SFO.
- (6) SGIL is owned as to 44.44% by Mr. Song, our executive Director, 22.22% by Ms. Fu, our executive Director and the spouse of Mr. Song, 16.67% by Mr. Wang, 11.11% by Mr. Liu, our non-executive Director and 5.56% by Mr. Michael Nan Qu, an Independent Third Party. Therefore, Mr. Song is deemed or taken to be interested in all the Shares which are beneficially owned by SGIL for the purpose of SFO. Ms. Fu is the spouse of Mr. Song. Therefore, Ms. Fu is deemed or taken to be interested in all the Shares which are interested by Mr. Song for the purpose of Part XV of the SFO.

If the Over-allotment Option is fully exercised, the direct interests of each of PUD, CAEL, ROSL and SGIL in the Shares will be approximately 18.72%, 17.35%, 10.92% and 16.08%, respectively.

Except as disclosed in this prospectus, our Directors and our chief executive officer are not aware of any person who will, immediately prior to and following the completion of the Global Offering (and taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

As of the Latest Practicable Date, so far as is known to our Directors, the following person was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group:

Name of shareholder	Name of company	Approximate percentage of shareholding
Mothercare International (Hong Kong) Limited . . . . .	MGCR	30%
Great Bliss Holdings Limited. . . . .	PREF	30%
Anhui Guoguo Children Products Sales Company Limited* (安徽果果兒童用品銷售有限公司). . . . .	GCFY	49%
Henan Shangqiu Zhuoran Children Product Co., Ltd.* (河南商丘卓然兒童用品有限公司). . . . .	GCSQ	49%
Mr. Zhang Benjin (張本金) . . . . .	GCQD	49%
Ms. Li Xiaofeng (李曉鳳) . . . . .	NTFS	20%

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## SUBSTANTIAL SHAREHOLDERS

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Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group, and our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD OF DIRECTORS

Our Board currently consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our issued share capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with each of our executive Directors and non-executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors.

The table below shows certain information with respect to our Directors and senior management:

#### Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors or senior management
<b>Executive Directors</b>						
Mr. Song Zhenghuan (宋鄭還) . . . . .	67	Co-founder of the Group	July 30, 2012	Chairman and executive Director	Responsible for the strategic planning and developments of our Group	Spouse of Ms. Fu
Ms. Fu Jingqiu (富晶秋) . . . . .	63	Co-founder of the Group	July 30, 2012	Chief executive officer and executive Director	Responsible for the daily operations of our Group, the overall management, strategic development and the sales and marketing of our Group	Spouse of Mr. Song
Mr. Wang Yadong (王亞東) . . . . .	40	July 28, 2015	September 25, 2015	Executive Director and the chief executive officer of MAMA	Responsible for the business and operation development of the mobile application business pursuant to the O2O project of our Group	Nil
Ms. Sharon Nan Kobler . . . . .	37	March 1, 2006	September 25, 2015	Executive Director	Responsible for the daily operations of our Group, the development of our customer relationship management and e-commerce business platform of our Group	Daughter of Ms. Fu
<b>Non-executive Director</b>						
Mr. Liu Tongyou (劉同友) . . . . .	48	September 25, 2015	September 25, 2015	Non-executive Director	Responsible for providing directional guidance on the strategic positioning of our Group	Nil
<b>Independent non-executive Directors</b>						
Dr. Leung Lim Kin, Simon (梁念堅) . . . . .	60	January 6, 2016	January 6, 2016	Independent non-executive Director	Responsible for providing independent advice on the operations and management of the Group	Nil

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors or senior management
Ms. Caroline Irene Chen . . . . .	56	January 6, 2016	January 6, 2016	Independent non-executive Director	Responsible for providing independent advice on the operations and management of the Group	Nil
Dr. Ngai Wai Fung (魏偉峰) . . . . .	54	January 6, 2016	January 6, 2016	Independent non-executive Director, chairman of the audit, remuneration and nomination committees of the Board	Responsible for providing independent advice on the operations and management of the Group	Nil

### Members of our senior management

Name	Age	Date of joining our Group	Existing position(s) in our Group	Roles and responsibilities	Relationship with Directors or other senior management
Mr. Cheng Ching-Yu (鄭擎宇) . . . . .	57	July 10, 2008	Vice president and chief executive officer of the sport and leisure division of our Group, and the general manager of the business division of the Nike brand in GCCL	Responsible for overseeing the national sales and operations of products under the leading international sports and leisure brands	Nil
Mr. Hu Yajun (胡雅軍) . . . . .	39	February 10, 1998	Vice president of our Group	Responsible for the implementation and delivery of the O2O new economic strategy of the Group, including the national grid layout of O2O, the establishment of the value chain, the exploration of pilot cities and national expansion and the strategy development and management of Goodbaby e-Family	Nil
Ms. Leong Yoke Wan (梁玉雲) . . . . .	57	November 16, 2009	Vice President of our Group and general manager of MGCR	Responsible for developing, strategizing and expanding the Mothercare brand in the PRC	Nil
Mr. Li Jinrun (李金潤) . . . . .	36	May 31, 2011	Chief operating officer of our Group	Responsible for managing several divisions of our Group including the supply chain, strategic planning, subsidiaries and branch companies management and customer service	Nil
Mr. Tin Yuk-Ying (田玉盈) . . . . .	52	December 1, 2015	Chief financial officer of our Group	Responsible for overseeing the financial and compliance matters of our Group, and assist our CEO to formulate and execute the financial and strategic business development plans of our Company	Nil



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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Date of joining our Group	Existing position(s) in our Group	Roles and responsibilities	Relationship with Directors or other senior management
Mr. Xue Changguan (薛昌官) . . . . .	48	September 1, 1999	Financial controller of our Group	responsible for assisting our Chief Financial Officer in overseeing the overall financial and accounting related matters of our Group	Nil

### Executive Directors

**Mr. Song Zhenghuan (宋鄭還)**, aged 67, was appointed as our Director on July 30, 2012 and was re-designated as our chairman and executive Director on September 25, 2015. He was the co-founder of our Group primarily responsible for the strategic planning and developments of our Group. Mr. Song has also assumed various directorships in our Group, including serving as the director of SHFS since November 1997, the director of MGCR since August 2007, the director of MGRL since September 2007, the director of GCHL since May 2010, the director of GCCL since June 2010, the director of RCBL since November 2011, the director of GFCC since January 2014, the director of GQCC since April 2014 and the director of PREF and PINN since March 2015. He is also the founder of the GBI Group and has been the director and chairman of GBI since 2000 and 2007, respectively, where he has been primarily responsible for the overall strategic direction and management of the GBI Group since 1989. Prior to establishing the GBI Group, Mr. Song served as a teacher in Lujia Middle School in Kunshan City in the PRC from November 1973 to November 1984 and was the vice principal from November 1984 to July 1993, where he was responsible for teaching from November 1984 to May 1987. From May 1987 to July 1993, Mr. Song was also in charge of a school-owned factory based on which GGCL was founded. Mr. Song majored in mathematics and graduated from Jiangsu Normal University (江蘇師範學院) in July 1981 with a certificate of graduation.

Mr. Song is the inventor of the first “push and rock” stroller in the PRC. Mr. Song was awarded the Ernst & Young Entrepreneur of the Year Award (安永企業家獎) for the greater China region in 2007. In 2008, he also received the title of “Chinese Toy Industry’s Outstanding Achievement Award” (中國玩具行業傑出成就獎) awarded by the China Toy Association.

**Ms. Fu Jingqiu (富晶秋)**, aged 63, was appointed as our Director on July 30, 2012 and was re-designated as our chief executive officer and executive Director on September 25, 2015. Ms. Fu is the co-founder of our Group and she is primarily responsible for the overall business management, strategic development and the sales and marketing of our Group. She has also assumed various directorships in our Group, including serving as the director of MGCR since August 2007, the director of MGRL since September 2007, the director of RCBL since November 2007, the director of GCHL since May 2010, the director of GCCL since June 2010 and the director of PREF and PINN since March 2015. Before the founding of our Group, Ms. Fu was the vice president of the GCPC, our predecessor company, from February 1993 to July 2010, primarily responsible for the business of our

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## DIRECTORS AND SENIOR MANAGEMENT

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Group operated by GCPC before demerging from the GBI Group. Ms. Fu has more than 30 years' experience in retailing children products. Her extensive experience and disciplinary management style has enabled her to turn around our Group very quickly since its founding and kept stable and rapid growth of sales and profit our Group after its founding.

**Mr. Wang Yadong (王亞東)**, aged 40, was appointed as our executive Director on September 25, 2015, where he is primarily responsible for the business and operation development of the mobile application business pursuant to the O2O project of our Group. Mr. Wang was one of the founding members of the business operated by MAMA and was in charge of the preparation of mamahao project, and has been acting as the chief executive officer of MAMA since its incorporation in July 2015. Prior to joining our Group, from August 2012 to November 2014, Mr. Wang was the general manager of Hangzhou Internet Technology Limited Company\* (杭州盡在網絡技術有限公司), an internet platform development company, where he was primarily responsible for marketing services on Weibo. From December 2004 to August 2012, Mr. Wang held various positions in Alibaba (China) Technology Co., Ltd.\* (阿里巴巴(中國)網絡技術有限公司), an online trading platform provider, where he was responsible for sales management. Mr. Wang received his bachelor's degree in trade and economics from the Henan Institute of Finance in the PRC in July 2000.

**Ms. Sharon Nan Kobler**, aged 37, was appointed as our executive Director on September 25, 2015. She is primarily responsible for the development of our customer relationships management and e-commerce business platform of our Group. Currently, Ms. Kobler has also assumed various positions in the subsidiaries of our Group, including serving as the senior executive vice president of GCCL since May 2010, the director of GCCL since May 2012, the director of NTCC and MGCR since May 2015, the director of SHFS since July 2015 and the director of MAMA since June 2015. Ms. Kobler has nearly 10 years of experience in the e-commerce and MBC Products industry. She completed the Marketing Strategies for Profitable Growth — China program jointly organized by Harvard Business School and Fudan University in September 2010. She also completed the Management of Negotiation and Decision-Making Program organized by China Europe International Business School in June 2008. Since she joined our Group in March 2006, Ms. Kobler has set up e-commerce platforms for various brands including Goodbaby, Kids Stations and other international brands. Ms. Kobler received her Bachelor of Arts in Business Administration from the University of Washington in the United States in June 2002.

### Non-executive Director

**Mr. Liu Tongyou (劉同友)**, aged 48, was appointed as our non-executive Director on September 25, 2015. He is primarily responsible for providing directional guidance on the strategic positioning of our Group. Mr. Liu has over 20 years of experience in corporate finance, legal and business management and in the children's products industry. He joined the GBI Group in February 1996 and has been the chief financial officer of the GBI Group since then, where he has been primarily responsible for finance, legality, mergers and acquisitions, investor relationships and the internal audit. Prior to joining the GBI Group, from February 1993 to July 1994, Mr. Liu served as manager in the business department of Beijing Standard Consultancy Company (北京標準股份制諮詢公司). From October 2008 onwards, Mr. Liu has been a part-time professor of the Business School of Tianjin University of Finance & Commerce (天津財經大學商學院). Mr. Liu received his bachelor's degree in

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## DIRECTORS AND SENIOR MANAGEMENT

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science from Fuyang Normal University (阜陽師範學院) in July 1989 and the master's degree in economics from Tianjin University of Finance & Economics (天津財經大學) in the PRC in July 1992. Mr. Liu received the title of "Top 10 CFO of the Year 2010 in China" awarded by the Chief Finance Officer magazine in 2011.

### Independent non-executive Directors

**Dr. Leung Lim Kin, Simon** (梁念堅), aged 60, was appointed as our independent non-executive Director on January 6, 2016. He is responsible for providing independent advice on the operations and management of the Company. Dr. Leung joined NetDragon Websoft Inc. (a company listed on the Main Board of the Stock Exchange Code: 777) as the vice chairman of NetDragon Websoft Inc. in March 2015. Dr. Leung is currently the independent non-executive Director of PuraPharm Corporation Limited (a company listed on the Main Board of the Stock Exchange, code: 1498).

Prior to joining NetDragon Websoft Inc., he was the chief executive officer of Harrow International Management Services Limited from 2012 to 2015.

Dr. Leung obtained a Bachelor of Arts degree under the Faculty of Science of the University of Western Ontario, Canada in October 1978 and a Business Administration Doctorate from The Hong Kong Polytechnic University in December 2007.

**Ms. Caroline Irene Chen**, aged 56, was appointed as our independent non-executive Director on January 6, 2016. She is responsible for providing independent advice on the operations and management of the Company. Ms. Chen is the founder principal of The International Montessori School of Beijing since 1990, and has been a lifetime member of the American Montessori Society since November 2004.

Ms. Chen graduated from London School of Economics & Political Science with a bachelor's degree in History in August 1980. In addition, she received the Early Childhood Credential from the American Montessori Society in May 1993.

**Dr. Ngai Wai Fung** (魏偉峰), aged 54, was appointed as our independent non-executive Director on January 6, 2016. He is responsible for providing independent advice on the operations and management of the Company. Dr. Ngai has been the managing director of MNCOR Consulting Limited (formerly known as MN Consulting Limited), a Hong Kong-based consulting firm, and the chief executive officer of SW Corporate Services Limited, since September 2010 and January 2011, respectively.

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## DIRECTORS AND SENIOR MANAGEMENT

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In addition, Dr. Ngai currently holds directorships in the following companies listed on the Stock Exchange and other securities markets in the PRC and the U.S. respectively:

### *On the Stock Exchange*

<u>Company Name (English)</u>	<u>Company Name (Chinese)</u>	<u>Stock Code</u>	<u>Position Held</u>	<u>Appointment Date</u>
Bosideng International Holdings Limited . . . . .	波司登國際控股有限公司	3998	independent non-executive director and the chairman of the audit committee	September 2007
Powerlong Real Estate International Holdings Company Limited . . . . .	寶龍地產控股有限公司	1238	independent non-executive director and the chairman of the audit committee	June 2008
BaWang International (Group) Holding Limited . . . . .	霸王國際(集團)控股有限公司	1338	independent non-executive director, the chairman of the audit committee and a member of the nomination committee and the remuneration committee	December 2008
Biostime International Holdings Limited . . . . .	合生元國際控股有限公司	1112	independent non-executive director, the chairman of the audit committee and a member of the nomination committee and the remuneration committee	July 2010
SITC International Holdings Company Limited . . . . .	海豐國際控股有限公司	1308	independent non-executive director and a member of the audit committee, the remuneration committee and the nomination committee	September 2010
Beijing Capital Juda Limited. . . . .	首創鉅大有限公司	1329	independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee	December 2013
Yangtze Optical Fibre and Cable Joint Stock Limited Company . . . . .	長飛光纖光纜股份有限公司	6869	Independent non-executive director, the chairman of the audit committee, the chairman of the nomination and remuneration committee	September 2014

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## DIRECTORS AND SENIOR MANAGEMENT

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### *On the Stock Exchange and Shanghai Stock Exchange*

<u>Company Name (English)</u>	<u>Company Name (Chinese)</u>	<u>Stock Code</u>	<u>Position Held</u>	<u>Appointment Date</u>
China Railway Group Limited . . .	中國中鐵股份有限公司	390 (stock code on the Stock Exchange)	independent non-executive director, a member of the audit and risk management committee, a member of the safety, health and environmental protection committee	June 2014
		601390 (stock code on The Shanghai Stock Exchange)		
China Coal Energy Company Limited . . . . .	中國中煤能源股份有限公司	1898 (stock code on the Stock Exchange)	independent non-executive director and a member of the audit committee and the remuneration committee	December 2010
		601898 (stock code on The Shanghai Stock Exchange)		
BBMG Corporation . . . . .	北京金隅股份有限公司	2009 (stock code on the Stock Exchange)	independent non-executive director and a member of the audit committee, the remuneration and nomination committee and the strategic committee	November 2015
		601992 (stock code on The Shanghai Stock Exchange)		

### *On OTC Pink Limited Information*

LDK Solar Co., Ltd. . . . .	—	LDKYQ	independent non-executive director, the chairman of the audit committee, and a member of the compensations committee and the corporate governance and nominating committee	July 2011
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Dr. Ngai has over 20 years of experience in accounting and financing as well as in corporate governance. Dr. Ngai served as the assistant managing director in COSCO International Holdings Limited (中遠國際控股有限公司), a company listed on the Stock Exchange (Stock Code: 0517), from June 1997 to December 1998, where he was primarily responsible for corporate finance, legal,

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## DIRECTORS AND SENIOR MANAGEMENT

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compliance and company secretarial matters. He had also held various senior management positions in a number of listed companies, including serving as the company secretary and the chief financial officer of the then Oriental Union Holdings Limited (東聯控股有限公司, now known as CY Foundation Group Limited (中青基業集團有限公司)), a company listed on the Stock Exchange (Stock Code: 1182) from January 1999 to August 2001, the company secretary of China Unicom (Hong Kong) Limited (中國聯合網絡通信(香港)股份有限公司), a company listed on the Stock Exchange (Stock Code: 762) and the New York Stock Exchange (Stock Code: CHU) from August 2001 to May 2003 and the company secretary of Industrial and Commercial Bank of China (Asia) Limited (中國工商銀行(亞洲)股份有限公司), a company previously listed on the Stock Exchange (Stock Code: 349), from April 2005 to June 2005. Dr. Ngai also served as an independent non-executive director of the then China Chief Cable TV Group Limited (中國3C集團有限公司, now known as Code Agriculture (Holdings) Limited, 科地農業控股有限公司), a company listed on the Stock Exchange (Stock Code: 8153) from October 2004 to October 2007, an independent non-executive director of China Life Insurance Company Limited (中國人壽保險股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601628), the Stock Exchange (Stock Code: 2628) and the New York Stock Exchange (Stock Code: LFC), from December 2006 to May 2009, an independent non-executive director of Frashion Properties (China) Limited (方興地產(中國)有限公司), a company listed on the Stock Exchange (Stock Code: 817), from May 2007 to June 2011, an independent non-executive director of China Railway Construction Corporation Limited (中國鐵建股份有限公司), a company listed on the Stock Exchange (Stock Code: 1186) and the Shanghai Stock Exchange (Stock Code: 601186), from November 2007 to October 2014, and an independent non-executive director of Sany Heavy Equipment International Holdings Company Limited (三一重裝國際控股有限公司), a company listed on the Stock Exchange (Stock code: 631), from November 2009 to December 2015. From June 2005 to September 2010, Dr. Ngai served as an associate director and subsequently a director of KCS Hong Kong Limited.

Dr. Ngai graduated from University of Wolverhampton with a bachelor's degree in law in October 1994. He received a master's degree in business administration from Andrews University of Michigan in August 1992, a master's degree in corporate finance from Hong Kong Polytechnic University in November 2002, and a doctorate in economics (finance) from Shanghai University of Finance and Economics (上海財經大學) in June 2011. Dr. Ngai has been a fellow of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries since 2000 and had been a vice president of The Hong Kong Institute of Chartered Secretaries between 2011 and 2013. Dr. Ngai has been a member of Hong Kong Securities Institute since July 1999, a member of the Hong Kong Institute of Certified Public Accountants since July 2007, a fellow of Hong Kong Institute of Directors since February 2010, and a fellow of the Association of Chartered Certified Accountants in the United Kingdom since March 2012. He has been the Adjunct Professor of Law of Hong Kong Shue Yan University since September 2012. He has also been a member of work group on professional service under the Economic Development Commission appointed by the Chief Executive of The Hong Kong Special Administrative Region since January 2013, a member of qualification and examination board of the Hong Kong Institute of the Certified Public Accountants since January 2013 and a member of the general committee of The Chamber of Hong Kong Listed Companies since June 2014.



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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

**Mr. Cheng Ching-Yu (鄭擎宇)**, aged 57, has been the vice president and the chief executive officer of the sport and leisure division of our Group since June 2013. He is primarily responsible for overseeing the national sales and operations of products under the leading international sports and leisure brands. He has also been the general manager of the business division of the Nike brand in GCCL since July 2008, where he is primarily responsible for overseeing the nationwide sales and operations of the kids brand of such leading international sports brand. Prior to joining our Group, from July 2007 to July 2008, Mr. Cheng was a general manager of Shanghai Cancang International Trading Limited Company\* (上海璨倉國際貿易有限公司), a fashion handbags manufacturer and wholesaler, where he was primarily responsible for development of products and brand innovation. From April 2004 to June 2007 and from August 1995 to March 2002, Mr. Cheng held various positions and last served as a deputy general manager and an officer in charge of sales of department of management of Guangzhou Zhongwei Daily Necessities Corporations Limited Company\* (廣州中威日用品企業有限公司), where he was primarily responsible for overseeing Shenyang, Beijing and Wuhan branches and responsible for marketing. In between his employment with Guangzhou Zhongwei Daily Necessities Corporations Limited Company\* (廣州中威日用品企業有限公司), from October 2002 to March 2004, Mr. Cheng was the vice general manager of Linmark (Hong Kong) Limited (香港林麥集團有限公司). From April 1994 to July 1995, Mr. Cheng was a general manager in Shanghai Dehui Watches Limited Company\* (上海德惠鐘錶有限公司), a watch manufacturer and retailer, where he was primarily responsible for the manufacturing, marketing and sales, and human resources functions. Mr. Cheng received his executive master degree of business administration from the Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in December 2006.

**Mr. Hu Yajun (胡雅軍)**, aged 39, was appointed as vice president of our Group on August 15, 2013, fully responsible for the implementation of the O2O initiatives of our Group, including the national grid layout of O2O, the establishment of the value chain, the exploration of pilot cities and national expansion, the strategy development and management of Goodbaby e-Family, etc. Mr. Hu joined our Group in February 1998 and has been responsible for different business areas or functions of the Group since then. Mr. Hu has been the vice president of GCCL and the general manager of the Goodbaby apparel division of GCCL since September 2013, and was the chief operating officer of our Group from August 2012 to August 2013. Prior to August 2012, Mr. Hu was responsible for the DRP system construction, operation management, retailing management and personal care products of our Group in different stages. Mr. Hu has been one of the key persons to the development of our Group. Mr. Hu attended the postgraduate MBA programme jointly operated by East China University of Science and Technology (華東理工大學) and University of Management and Technology from March 2002 to October 2003 and graduated from the programme.

**Ms. Leong Yoke Wan (梁玉雲)**, aged 57, has been the vice president of our Group and the general manager of MGCR since November 2009, where she is primarily responsible for developing, strategizing and expanding the Mothercare brand in the PRC. She has also been the director of MGCR and MGRL since July 2012 and May 2012, respectively. Prior to joining our Group, from June 2007 to July 2009, Ms. Leong was the chief executive officer of ImaginAsia Group, where she was primarily responsible for brand development, franchise arrangements and opening of new retail stores. Ms. Leong was a general manager from September 2005 to May 2007 and also a director from June 2006 to May 2007 in the Singapore office of Giordano Originals, an apparel retail company. Ms. Leong was



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## DIRECTORS AND SENIOR MANAGEMENT

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a director in Nakamichi Corporation from July 2002 to August 2005. Prior to that, Ms. Leong was hired as the Brand General Manager of Inchcape Marketing Services Ltd in January 1998. Ms. Leong received her master's degree in business administration from the Macquarie Graduate School of Management in Australia in June 2000. She also obtained a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing (United Kingdom) in June 1996 and has been a member of the Institute since December 1996.

**Mr. Li Jinrun (李金潤)**, aged 36, has been the chief operating officer of our Group since May 2015. He is primarily responsible for managing several divisions of our Group including the supply chain, strategic planning, subsidiaries and branch companies management and customer service. He joined our Group as a director of the logistics department of GCCL on May 2011, where he was primarily responsible for logistic and warehouse management of GCCL until April 2015. Prior to joining our Group, Mr. Li served in various positions in Metersbonwe (美特斯•邦威), a branded apparel wholesale and retail company, where he was primarily responsible for its overall logistic and distribution management, including serving as the general manager of the B2C logistic management division from March 2010 to May 2011, the manager of the logistic and operations division from January 2008 to March 2010, the general manager of the Shenyang branch sales company of Metersbonwe, from September 2005 to December 2007, the manager of the Northeastern distribution center from July 2004 to December 2007, and a supervisor of the distribution center from December 1999 to June 2004. Mr. Li was qualified as a logistician recognized by Ministry of Labor and Social Security of the PRC in July 2005. In June 2005, Mr. Li received his bachelor's degree in business management from The Chinese People's Liberation Army Culture Master University (中國人民解放軍軍需大學) in the PRC.

**Mr. Tin Yuk-Ying (田玉盈)**, aged 52, has been appointed as the chief financial officer of our Group since December 1, 2015. He is primarily responsible for overseeing the financial and compliance matters of our Group, and assist our chief executive officers of our Group to formulate and execute the financial and strategic business development plans of our Group. Mr. Tin has more than 17 years of experience in senior accounting and financial management in companies located Hong Kong and China. Prior to joining our Group, he had served in a variety of positions in Richemont Group, which owns several of the world's leading companies in the field of luxury goods. From April 2009 to November 2015, he served as the finance director of Richemont Commercial Company Limited in Shanghai. From February 1998 to April 2009, Mr. Tin was the finance director of regional finance department of Richemont Asia Pacific Limited. He obtained a Bachelor's degree in Accounting and Economics from Queens College, U.S.A. in February 1989 and a Master of Science degree from the Bernard M. Baruch College, the City University of New York in the U.S.A. in May 2003.

**Mr. Xue Changguan (薛昌官)**, aged 48, has been the financial controller of our Group since July 2014. He is primarily responsible for assisting our Chief Financial Officer in overseeing the overall financial and accounting related matters of our Group. Mr. Xue has been the financial controller of GCCL since July 2014, and was the deputy financial officer of GCCL from July 2010 to June 2014, primarily responsible for the financial accounting, operation analysis, budget management and fund management of the China market of the Group. Form August 2007 to June 2010, Mr. Xue was the financial director of SGCP, where he was primarily responsible for the financial accounting and asset management of the retail stores of SGCP. From June 2003 to July 2007, Mr. Xue was the manager of the domestic sales and financial department of GCPC, responsible for the financial management of

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## DIRECTORS AND SENIOR MANAGEMENT

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branches of GCPC. From September 1999 to May 2003, Mr. Xue was the chief financial officer of the Beijing branch of GCPC, responsible for financial management. Mr. Xue was qualified as a mid-level economist by the Ministry of Personnel of the PRC in November 1998, and obtained the senior accountant certificate in October 2004. Mr. Xue majored in business management and graduated from the Yancheng Institute of Technology (鹽城工學院, formerly known as 鹽城職業大學) with a certificate of graduation in July 1989.

Save as disclosed above, each of our Directors and senior management members has confirmed that he/she does not and has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus.

### COMPANY SECRETARY

**Ms. Leung Suet Lun (梁雪綸)**, was appointed as the company secretary of the Company on September 25, 2015. Ms. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a fellow subsidiary of KCS Hong Kong Limited) and the company secretary of the Company. Ms. Leung is currently the joint company secretary of Tsaker Chemical Group Limited (a company listed on the Main Board of the Stock Exchange, code: 1986) and the assistant company secretary of Red Star Macalline Group Corporation Ltd. (a company listed on the Main Board of the Stock Exchange, code: 1528). Ms. Leung has over seven years of professional experience in legal, company secretarial and tax consulting fields. From September 2006 to September 2009, Ms. Leung worked in KPMG Tax Limited. From January 2012 to December 2014, Ms. Leung worked in Rizemen Services Limited, a service company wholly-owned by F. Zimmern & Co., a solicitors' firm. She obtained a Bachelor's Degree in Social Sciences and a Bachelor's Degree of Laws from the University of Hong Kong in 2005 and 2006 respectively. She is a member of the Hong Kong Institute of Certified Public Accountants and a Hong Kong qualified solicitor.

### BOARD COMMITTEE

#### Audit Committee

We have established an audit committee on January 6, 2016 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee consists of Dr. Leung Lim Kin, Simon, Ms. Caroline Irene Chen and Dr. Ngai Wai Fung. The audit committee is chaired by Dr. Ngai Wai Fung. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

#### Remuneration Committee

We have established a remuneration committee on January 6, 2016 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of Dr. Leung Lim Kin, Simon, Ms. Caroline Irene Chen and Dr. Ngai Wai Fung.

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## DIRECTORS AND SENIOR MANAGEMENT

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The remuneration committee is chaired by Dr. Ngai Wai Fung. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

### **Nomination Committee**

We have established a nomination committee on January 6, 2016 with written terms of reference. The nomination committee consists of Dr. Leung Lim Kin, Simon, Ms. Caroline Irene Chen and Dr. Ngai Wai Fung. The chairman of the nomination committee is Dr. Ngai Wai Fung. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

### **CORPORATE GOVERNANCE**

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our Company is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

### **COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our executive Directors and non-executive Directors for the year ended December 31, 2012, 2013 and 2014 and ten months ended October 31, 2015 was RMB7,289,000, RMB7,469,000, RMB7,278,000 and RMB5,911,000, respectively.

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## DIRECTORS AND SENIOR MANAGEMENT

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The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals for the year ended December 31, 2012, 2013 and 2014 and ten months ended October 31, 2015 was RMB12,709,000, RMB13,658,000, RMB13,801,000 and RMB12,770,000, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the year ended December 31, 2012, 2013 and 2014 and ten months ended October 31, 2015. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending December 31, 2015 is estimated to be no more than RMB7,286,000.

### PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme respectively on January 15, 2015 and on January 6, 2016. For details of the Pre-IPO Share Option Scheme and the Share Option Scheme, please refer to the sections headed “Statutory and General Information—D. Other Information—1. Share Option Scheme and 2. Pre-IPO Option Scheme” in Appendix IV to this prospectus.

### COMPLIANCE ADVISER

We have appointed Messis Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an enquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please refer to the section headed “Business—Our Strategies” in this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming the Over-allotment Option is not exercised and an Offer Price of HK\$3.22 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$989.1 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 30.0%, or HK\$296.8 million, will be used to expand our offline sales network by increasing the number of our self-operated stores (and for the year ending December 31, 2016, we plan to use approximately HK\$134.1 million (equivalent to RMB113.6 million) to fund the capital expenditures of our self-operated stores to be established in the year), of which (i) approximately 15%, or HK\$148.4 million are intended to be used to establish Kids Station in first tier and second-tier cities in the PRC; and (ii) approximately 15% or HK\$148.4 million are intended to be used to establish stores for Goodbaby e-Family stores in third and fourth-tier cities and rural area in the PRC and stores for Goodbaby Brands and other brands within our brand portfolio, such as leading international sports & leisure brands, across China.
- approximately 25.0%, or HK\$247.3 million, will be used to selectively pursue strategic alliances and acquisitions of businesses, assets and technologies, which complement our existing capabilities and revenue streams and to expand our omni-channel sales network. The targets of our strategic alliance and acquisitions may include: (a) pre-school educational services and MBC services providers; (b) regional high-quality retailers; and (c) high-quality MBC brands to supplement our product offerings. As of the Latest Practicable Date, we had not identified any targets for strategic alliances and/or acquisitions, nor had we entered into any binding commitment, whether oral or written, for any business or asset acquisitions. Please see “Business—Our Strategies—Selectively Pursue Strategic Alliances and Acquisitions”.
- approximately 22.0%, or HK\$217.6 million, will be used to finance the capital expenditures required in connection with the enhancement of our supply chain management and the upgrade of our IT infrastructure. We plan to allocate approximately 10%, or HK\$98.9 million, to establish four additional distribution centers in Chengdu, Xi’an, Guangzhou and Shenyang and to enhance our logistics capabilities and equipments. We also plan to allocate approximately 12%, or HK\$118.7 million, (a) to upgrade our IT system such as our SCRM system to enhance our capability to collect and analyze information including customer and membership data on a real time basis and our WMS system to improve our logistics operation process and increase the mechanization level of our warehouses, which enables

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## FUTURE PLANS AND USE OF PROCEEDS

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us to have lower and more competitive logistics cost structure and better service capability; and (b) to develop our database and data management system to strengthen our big data analysis and research capabilities with a focus on improving our capabilities on our target-marketing.

- approximately 13.0%, or HK\$128.6 million, will be used to promote our brands and to develop and introduce and promote our apparel and maternity and baby care products. We plan to allocate approximately 8%, or HK\$79.1 million for the marketing, promotion and further development of our mobile application, mamahao (媽媽好) as one of our O2O initiatives. We intend to roll out our mobile application nationwide to attract more members and extend the geographical coverage of our online-offline integration. In addition, we plan to further promote our O2O initiatives and enhance our brand awareness through Kids Station and Goodbaby e-Family by engaging in in-store promotion activities and other marketing initiatives. We also plan to allocate approximately 5%, or HK\$49.5 million, for development, introduction and promotion of our apparel and maternity and baby care products, including improving our in-house research and development capabilities, elevating our market awareness and enhancing our advertising and other promotion efforts in relation to new product launch.
- the remaining amount of approximately 10.0%, or HK\$98.8 million, of the net proceeds, will be used for working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the midpoint of the indicative price range.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$155.4 million, after deducting underwriting commissions, fees and other estimated expenses payable by us, assuming an Offer Price of HK\$3.22 per Share (being the mid-point of the Offer Price range of HK\$2.68 to HK\$3.76 per Share). We intend to apply all additional net proceeds for the same purposes as set out above on a pro rata basis.

If the Offer Price is set at the high-end of the indicative Offer Price range, being HK\$3.76 per Share, the net proceeds from the Global Offering will increase by approximately HK\$173.7 million (assuming the Over-allotment Option is not exercised) or approximately HK\$199.7 million (assuming the Over-allotment Option is exercised in full), in which case we intend to apply the additional net proceeds as set out above on a pro rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$2.68 per Share, the net proceeds from the Global Offering will decrease by approximately HK\$173.7 million (assuming the Over-allotment Option is not exercised) or approximately HK\$199.7 million (assuming the Over-allotment Option is exercised in full), in which case we intend to reduce the net proceeds applied for the same purposes as set out above on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to place the same in short-term deposits with licensed banks or financial institutions in the PRC or Hong Kong as permitted by the relevant laws and regulations.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited

BOCI Asia Limited

### INTERNATIONAL UNDERWRITERS

Morgan Stanley & Co. International plc

BOCI Asia Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the Underwriters' Representative (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 33,334,000 Hong Kong Offer Shares and the International Offering of initially 300,006,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option in the case of the International Offering.

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### The Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Underwriters' Representative (on behalf of the Underwriters) and our Company agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.



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## UNDERWRITING

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The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

### *Grounds for Termination*

The Underwriters' Representative (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, the British Virgin Islands, Hong Kong, the PRC, Samoa, Guernsey, the Bahamas, the United States, the United Kingdom, or the European Union (collectively, the “**Relevant Jurisdictions**”); or
  - (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or
  - (iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company or generally, on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, or the London Stock Exchange; or
  - (iv) any general moratorium on commercial banking activities in the Cayman Islands or Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at Federal or New York State level or other competent authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

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## UNDERWRITING

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- (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of sanctions or the withdrawal of trading privileges, in whatever form, directly or indirectly, under any sanction laws or regulations in Hong Kong, the PRC or any other Relevant Jurisdiction; or
- (vii) a change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or
- (ix) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (x) a Director or a member of the Group’s senior management as named in the prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or
- (xi) the chairman, the chief executive officer or the chief financial officer of the Company vacating his or her office; or
- (xii) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiii) a contravention by any member of the Group of the Listing Rules or any other applicable laws; or
- (xiv) a prohibition by an authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

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## UNDERWRITING

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- (xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any material aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xvi) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

which, individually or in the aggregate, in the sole opinion of the Underwriters' Representative (1) has or will have or may result in a material adverse change; or (2) has or will have or may have a material adverse effect on the success of the Hong Kong Public Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Global Coordinators:
  - (i) that any statement contained in any of the Offering Documents, the Formal Notice, the Operative Documents, the Preliminary Offering Circular, the PHIP (each as defined in the Hong Kong Underwriting Agreement), and other any offer awareness materials, notices, announcements, advertisements, communications or other documents including any supplement or amendment thereto, issued by or on behalf of the Company in connection with the Hong Kong Public Offering (collectively, the “**Offer Related Documents**”) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents is not fair or honest or based on reasonable assumptions; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or
  - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

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## UNDERWRITING

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- (iv) any material adverse change; or
- (v) any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any respect, any of the Warranties (as defined in the Hong Kong Underwriting Agreement); or
- (vi) the grant of the approval by the Listing Committee of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) any event, act or omission which gives or may give rise to any liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the terms of the Hong Kong Underwriting Agreement; or
- (viii) the Company withdraws any of the Offer Related Documents and/or any other documents issued or used in connection with the Global Offering or the Global Offering; or
- (ix) any person (other than the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any Underwriter) has withdrawn or sought to withdraw its consent to being named this Prospectus or to the issue of any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement); or
- (x) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the Global Offering) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC, which in the sole and absolute discretion of the Sole Sponsor and Joint Global Coordinators, may materially and adversely affect the marketing of the Global Offering; or
- (xi) any loss or damage has been sustained by any members of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Underwriters' Representative (for itself and on behalf of the other Underwriters) in its sole absolute opinion to be material; or
- (xii) that a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

### *Undertakings to the Stock Exchange Pursuant to the Listing Rules*

#### **(a) Undertakings by Our Company**

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities may be issued by us or form the

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## UNDERWRITING

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subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules or pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).

**(b) Undertakings by Our Controlling Shareholders**

Pursuant to Rule 10.07 of the Listing Rules, each of our controlling shareholders (as defined in the Listing Rules) has undertaken to the Stock Exchange and to our Company that, it will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the controlling shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our controlling shareholders has undertaken to the Stock Exchange and to the Company that within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it will:

- (i) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by the controlling shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by the controlling shareholders.

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### *Undertakings Pursuant to the Hong Kong Underwriting Agreement*

#### (A) **Undertakings by Our Company**

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Pre-IPO Share Option Scheme and the Share Option Scheme and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), the Company hereby undertakes to each of the Sole Sponsor, the Underwriters’ Representative, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor, the Underwriters’ Representative, the Joint Global Coordinators and the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares of such other member of the Group, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares of such other member of the Group, as applicable or any interest in any of the foregoing); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

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## UNDERWRITING

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in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). During the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Company shall not enter into any of the transactions specified in paragraph (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction such that any Covenanting Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of the Company. In the event that the Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers that to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. The Covenanting Controlling Shareholders undertake to each of the Joint Global Coordinators, the Hong Kong Underwriters and the Sole Sponsor to procure the Company to comply with the above undertakings.

### **(B) Undertakings by Our Covenanting Controlling Shareholders**

Save as pursuant to the stock borrowing agreement entered into between SGIL and the Stabilizing Manager, each of the Covenanting Controlling Shareholders hereby undertakes to each of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Sole Sponsor, the Underwriters’ Representative, the Joint Global Coordinators and the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a)(i), (ii) or



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- (iii) above, in each case, whether any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a) (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company; and
- (c) until the expiry of the Second Six-Month period, in the event that it enters into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offers to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company, provided that, subject to the strict compliance with any requirements of applicable laws (including, without limitation and for the avoidance of doubt, the requirements of the Stock Exchange or of the SFC or of any other relevant authority), nothing above shall prevent any of the Covenanted Controlling Shareholders from using Shares or other securities of the Company beneficially owned by him/her/it as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155) of the Laws of Hong Kong).

### *Other Undertakings*

Each of SIML, VLVL, WAWA, FTHL and COOP (each, an “**Existing Shareholder**”) has undertaken to each of the Company and the Sole Sponsor that it shall not, without the prior written consent of the Sole Sponsor, at any time during the First Six-month Period (subject to the sole and absolute discretion of the Sole Sponsor to terminate the Lock-up Restrictions against any Existing Shareholder before the expiry of the First Six-month Period):

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any mortgage, pledge or charge in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) not involving a change of legal ownership of our Shares currently owned by the Existing Shareholder other than on enforcement) for a bona fide commercial loan), hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company currently held by the Existing Shareholder or any interest in any of the foregoing, as applicable (the “**Relevant Shares**”);
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares;

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- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above,

whether any of such transaction described in sub-paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company, in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-month Period).

### *Indemnity*

We and the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

### *Hong Kong Underwriters' Interests in Our Company*

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **The International Offering**

#### *International Underwriting Agreement*

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, amongst others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters would severally agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

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### *Over-allotment Option*

We expect to grant to the International Underwriters, exercisable by the Underwriters' Representative (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 50,001,000 Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

### **Commission and Expenses**

The Underwriters will receive a commission of 2.5% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. Furthermore, at the sole discretion of the Company, the Company may pay to a Joint Global Coordinator a discretionary incentive fee.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the Joint Global Coordinators and the relevant International Underwriters.

The aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK\$84.2 million (assuming an Offer Price of HK\$3.22 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the full payment of the discretionary incentive fee and the Over-allotment Option is not exercised at all), are payable and borne by our Company.

### **SPONSOR'S INDEPENDENCE**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

### **ACTIVITIES BY SYNDICATE MEMBERS**

The Underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or

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listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 33,334,000 Shares (subject to adjustments as mentioned below) for subscription by the public in Hong Kong as described below under the section headed “—The Hong Kong Public Offering” below; and
- (b) the International Offering of an aggregate of 300,006,000 Shares (subject to adjustments and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares Initially Offered

We are initially offering 33,334,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “—Conditions of the Global Offering” below.

#### Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such

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allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 16,667,000 and 16,667,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 16,667,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

### **Reallocation**

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustments. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels with respect to the Hong Kong Public Offering are reached:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 100,002,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer

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Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 133,336,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 166,670,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Underwriters' Representative deems appropriate. In addition, the Underwriters' Representative may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Underwriters' Representative has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Underwriters' Representative deems appropriate.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$3.76 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "—Pricing and Allocation" below, is less than the maximum price of HK\$3.76 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.



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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL OFFERING

#### Number of Offer Shares Offered

The International Offering will consist of an initial offering of 300,006,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering.

#### Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “—Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its Shareholders as a whole.

The Underwriters’ Representative (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Underwriters’ Representative so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

#### Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Underwriters’ Representative (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 50,001,000 Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

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## STRUCTURE OF THE GLOBAL OFFERING

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### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

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- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

### **Over-allocation**

Following any over-allocation of Shares in connection with the Global Offering, the Underwriters' Representative, its affiliates or any person acting for it may cover such over-allocation by, among other methods, using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 50,001,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

## **PRICING AND ALLOCATION**

### **Determining the Offer Price**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Underwriters' Representative (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Wednesday, February 3, 2016 and in any event no later than Thursday, February 11, 2016.

### **Offer Price Range**

The Offer Price will not be more than HK\$3.76 per Offer Share and is expected to be not less than HK\$2.68 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Price Payable on Application**

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$3.76 for each Hong Kong Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy, and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK\$3.76, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Underwriters' Representative (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, February 11, 2016, the Global Offering will not proceed and will lapse.

### **Reduction in Indicative Offer Price Range and/or Number of Offer Shares**

The Underwriters' Representative (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company ([www.goodbabychina.com](http://www.goodbabychina.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Underwriters' Representative (on behalf of the Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Underwriters' Representative (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Underwriters' Representative may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Underwriters' Representative.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Thursday, February 11, 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company ([www.goodbabychina.com](http://www.goodbabychina.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Underwriters' Representative (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between our Company and the Underwriters' Representative (on behalf of the Underwriters) on the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

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## STRUCTURE OF THE GLOBAL OFFERING

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**If, for any reason, the Offer Price is not agreed between our Company and the Underwriters' Representative (on behalf of the Underwriters) on or before Thursday, February 11, 2016, the Global Offering will not proceed and will lapse.**

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.goodbabychina.com](http://www.goodbabychina.com) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares—14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).

No part of our Company's Share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

### ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

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## STRUCTURE OF THE GLOBAL OFFERING

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Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, February 12, 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, February 12, 2016.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 6186.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.eipo.com.hk](http://www.eipo.com.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, January 28, 2016 until 12:00 noon on Tuesday, February 2, 2016 from:

- (1) the following address of the Hong Kong Underwriters:

Morgan Stanley Asia Limited  
Level 46  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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BOCI Asia Limited  
 26th Floor, Bank of China Tower,  
 1 Garden Road  
 Central  
 Hong Kong

(2) or any of the following branches of the receiving banks:

(i) Bank of China (Hong Kong) Limited

	Branch Name	Address
<b>Hong Kong Island</b>	Bank of China Tower Branch	3/F, 1 Garden Road
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan
<b>Kowloon</b>	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
<b>New Territories</b>	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui
	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(ii) Standard Chartered Bank (Hong Kong) Limited

Branch Name	Address
<b>Hong Kong Island</b> . . . . . Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
Hennessy Road Branch	399 Hennessy Road, Wanchai
<b>Kowloon</b> . . . . . 68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
<b>New Territories</b> . . . . . Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi
Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O
Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, January 28, 2016 until 12:00 noon on Tuesday, February 2, 2016 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — GOODBABY CHINA HOLDINGS PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Thursday, January 28, 2016 — 9:00 a.m. to 5:00 p.m.
- Friday, January 29, 2016 — 9:00 a.m. to 5:00 p.m.
- Saturday, January 30, 2016 — 9:00 a.m. to 1:00 p.m.
- Monday, February 1, 2016 — 9:00 a.m. to 5:00 p.m.
- Tuesday, February 2, 2016 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, February 2, 2016, the last application day or such later time as described in "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agent of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (vi) agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters' Representatives, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters' Representatives, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters' Representatives, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the Laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application unless you fulfill the criteria mentioned in "Personal Collection" section in the Prospectus to collect share certificate(s) and/or refund cheque(s);

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company, the Sole Sponsor and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
  - (i) no other application has been or will be made by you as agent for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and
  - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH WHITE FORM eIPO SERVICE**

### **General**

Individuals who meet the criteria in “2. Who can apply for Hong Kong Offer Shares” section may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk), you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

### **Time for Submitting Applications under the White Form eIPO**

You may submit your application through the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, January 28, 2016 until 11:30 a.m. on Tuesday, February 2, 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, February 2, 2016 or such later time under as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “Goodbaby China Holdings Limited” **White Form eIPO** application submitted via the website [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of Dongjiang—Hong Kong Forest” project initiated by Friends of the Earth (HK).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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HKSCC can also input electronic application instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest in, any Offer Shares under the International Offering;
  - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for the Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Thursday, January 28, 2016 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Friday, January 29, 2016 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Saturday, January 30, 2016 — 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>
- Monday, February 1, 2016 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Tuesday, February 2, 2016 — 8:00 a.m.<sup>(1)</sup> to 12:00 noon

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*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, January 28, 2016 until 12:00 noon on Tuesday, February 2, 2016 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, February 2, 2016, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Underwriters’ Representative and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, February 2, 2016.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering—Pricing and Allocation” in this prospectus.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, February 2, 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, February 2, 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made.

### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, February 11, 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company’s website at [www.goodbabychina.com](http://www.goodbabychina.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at [www.goodbabychina.com](http://www.goodbabychina.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Thursday, February 11, 2016;
- from the designated results of allocations website at [www.iporeresults.com.hk](http://www.iporeresults.com.hk) with a “search by ID” function on a 24-hour basis from 8:00 a.m. Thursday, February 11, 2016 to 12:00 mid-night on Wednesday, February 17, 2016;
- by telephone inquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, February 11, 2016 to Sunday, February 14, 2016; and
- in the special allocation results booklets which will be available for inspection during opening hours on Thursday, February 11, 2016, Friday, February 12, 2016 and Saturday, February 13, 2016 at all the designated receiving banks branches and sub-branches.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES**

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(iii) **If the allotment of the Hong Kong Offer Shares is void:**

The allotment of the Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest in, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$3.76 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering—Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Any refund of your application monies will be made on or before Thursday, February 11, 2016.

### 14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, February 11, 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, February 12, 2016 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Personal Collection

#### (i) If you apply using a **WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, February 11, 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, February 11, 2016, by ordinary post and at your own risk.

#### (ii) If you apply using a **YELLOW Application Form**

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, February 11, 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, February 11, 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)**

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- **If you are applying as a CCASS Investor Participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, February 11, 2016 or any other date as determined by HKSCC or HKSCC Nominees.

Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

- (iii) **If you apply through the White Form eIPO service**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, February 11, 2016, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, February 11, 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

- (iv) **If you apply via electronic application instructions to HKSCC**

### *Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, February 11, 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Thursday, February 11, 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, February 11, 2016 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, February 11, 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, February 11, 2016.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.*



22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

28 January 2016

The Directors  
Goodbaby China Holdings Limited  
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information of Goodbaby China Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2012, 2013 and 2014 and 31 October 2015, together with the notes thereto (the “Financial Information”), and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the ten months ended 31 October 2014 (the “Interim Comparative Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 28 January 2016 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 July 2012. Pursuant to a group reorganization (the “Reorganization”) as described in the paragraph headed “—Reorganization” in the section headed “History, Reorganization and Corporate Structure” to the Prospectus, the Company became the holding company of the subsidiaries comprising the Group on 31 December 2013. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, the Company had direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014, and the ten months ended 31 October 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

#### **Directors’ responsibility**

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

#### **Reporting accountants’ responsibility**

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

**Opinion in respect of the Financial Information**

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Group and the Company as at 31 December 2012, 2013 and 2014 and 31 October 2015 and of the consolidated financial performance and cash flows of the Group for each of the Relevant Periods.

**Review conclusion in respect of the Interim Comparative Information**

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## I. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Ten months ended 31 October	
		2012	2013	2014	2014	2015
		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>CONTINUING OPERATIONS</b>						
REVENUE . . . . .	6	1,924,039	2,323,895	3,063,322	2,501,316	3,000,936
Cost of sales . . . . .		(1,051,993)	(1,275,511)	(1,737,383)	(1,405,400)	(1,651,288)
<b>Gross profit</b> . . . . .		872,046	1,048,384	1,325,939	1,095,916	1,349,648
Other income and gains . . . . .	6	9,615	23,742	17,907	14,171	35,785
Selling and distribution expenses . .		(700,867)	(849,503)	(1,068,798)	(881,005)	(1,021,579)
Administrative expenses . . . . .		(104,287)	(119,389)	(119,079)	(94,241)	(109,019)
Other expenses . . . . .		(20,752)	(9,651)	(10,682)	(9,828)	(9,566)
Finance costs . . . . .	8	(12,679)	(19,524)	(20,637)	(18,110)	(16,065)
<b>PROFIT BEFORE TAX FROM</b>						
<b>CONTINUING OPERATIONS</b>						
Income tax credit/(expense) . . . . .	11	46,435	(15,048)	(27,789)	(23,378)	(55,003)
<b>PROFIT FOR THE YEAR/PERIOD</b>						
<b>FROM CONTINUING</b>						
<b>OPERATIONS . . . . .</b>						
		89,511	59,011	96,861	83,525	174,201
<b>DISCONTINUED OPERATION</b>						
Loss for the year/period from a discontinued operation . . . . .	13	(30,229)	(35,922)	(55,068)	(46,595)	(72,454)
<b>PROFIT AND TOTAL</b>						
<b>COMPREHENSIVE INCOME</b>						
<b>FOR THE YEAR/PERIOD . . . . .</b>						
		59,282	23,089	41,793	36,930	101,747
<b>Attributable to:</b>						
Owners of the parent . . . . .		65,331	26,305	45,865	39,961	109,061
Non-controlling interests . . . . .		(6,049)	(3,216)	(4,072)	(3,031)	(7,314)
		59,282	23,089	41,793	36,930	101,747
<b>EARNINGS PER SHARE</b>						
<b>ATTRIBUTABLE TO</b>						
<b>ORDINARY EQUITY HOLDERS</b>						
<b>OF THE PARENT . . . . .</b>						
Basic and diluted . . . . .	14	N/A	N/A	N/A	N/A	N/A

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2012	2013	2014	31 October
		(RMB'000)	(RMB'000)	(RMB'000)	2015
				(RMB'000)	
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment . . . . .	15	121,979	153,046	187,821	166,962
Prepaid land lease payments . . . . .	16	6,252	—	—	—
Investment properties . . . . .	17	13,748	—	—	—
Goodwill . . . . .	18	18,712	18,712	18,713	18,713
Other intangible assets . . . . .	19	7,449	5,266	5,039	12,508
Deferred tax assets . . . . .	30	53,228	38,891	23,561	11,545
Total non-current assets . . . . .		<u>221,368</u>	<u>215,915</u>	<u>235,134</u>	<u>209,728</u>
<b>CURRENT ASSETS</b>					
Inventories . . . . .	21	683,348	779,191	831,686	913,912
Trade and notes receivables . . . . .	22	139,781	147,194	177,068	337,738
Prepayments, deposits and other receivables . . . . .	23	63,700	171,891	175,330	180,125
Amounts due from related parties . . .	38	4,786	1,519	7,194	127
Other current financial assets . . . . .	24	—	—	108,000	2,500
Pledged deposits . . . . .	25	—	5,000	11,100	18,000
Cash and cash equivalents . . . . .	25	<u>108,966</u>	<u>211,366</u>	<u>106,362</u>	<u>166,490</u>
Total current assets . . . . .		<u>1,000,581</u>	<u>1,316,161</u>	<u>1,416,740</u>	<u>1,618,892</u>

	Notes	As at 31 December			As at
		2012	2013	2014	31 October
		(RMB'000)	(RMB'000)	(RMB'000)	2015 (RMB'000)
<b>CURRENT LIABILITIES</b>					
Trade payables . . . . .	26	259,989	314,322	380,571	451,386
Other payables and accruals . . . . .	27	168,726	211,385	213,046	245,653
Amounts due to related parties . . . . .	38	617,760	304,880	357,997	253,418
Interest-bearing bank borrowings . . . . .	28	205,000	404,216	340,204	348,198
Tax payable . . . . .		5,036	878	12,422	8,819
Total current liabilities . . . . .		<u>1,256,511</u>	<u>1,235,681</u>	<u>1,304,240</u>	<u>1,307,474</u>
<b>NET CURRENT ASSETS/ (LIABILITIES) . . . . .</b>					
		<u>(255,930)</u>	<u>80,480</u>	<u>112,500</u>	<u>311,418</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES . . . . .</b>					
		<u>(34,562)</u>	<u>296,395</u>	<u>347,634</u>	<u>521,146</u>
<b>NON-CURRENT LIABILITIES</b>					
Interest-bearing bank borrowings . . . . .	28	49,600	80,000	49,000	120,000
Deferred income . . . . .	29	—	—	4,160	960
Deferred tax liabilities . . . . .	30	98	86	73	63
Total non-current liabilities . . . . .		<u>49,698</u>	<u>80,086</u>	<u>53,233</u>	<u>121,023</u>
Net assets/(liabilities) . . . . .		<u>(84,260)</u>	<u>216,309</u>	<u>294,401</u>	<u>400,123</u>
<b>EQUITY</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital . . . . .	31	—	—	—	—
Reserves . . . . .	33	<u>(105,405)</u>	<u>193,166</u>	<u>237,810</u>	<u>347,979</u>
		<u>(105,405)</u>	<u>193,166</u>	<u>237,810</u>	<u>347,979</u>
Non-controlling interests . . . . .		<u>21,145</u>	<u>23,143</u>	<u>56,591</u>	<u>52,144</u>
Total equity . . . . .		<u>(84,260)</u>	<u>216,309</u>	<u>294,401</u>	<u>400,123</u>



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital (RMB'000)	Share premium (RMB'000)	Capital reserve (RMB'000)	Statutory and other surplus reserve (RMB'000)	Merger reserve (RMB'000)	Retained profits/ losses (RMB'000)	Share option reserve (RMB'000)	Non-controlling interests		Total equity (RMB'000)
								Total	(RMB'000)	
	(note 31)	(note 31)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)	(RMB'000)	(RMB'000)	(RMB'000)
<b>As at 1 January 2012</b> . . . . .	—	—	19,000	1,973	6	(192,048)	123	(170,946)	12,591	(158,355)
Profit and total comprehensive income for the year . . . . .	—	—	—	—	—	65,331	—	65,331	(6,049)	59,282
Transfer from retained profits . . . . .	—	—	—	1,195	—	(1,195)	—	—	—	—
Capital contributions from non-controlling interests . . . . .	—	—	—	—	—	—	—	—	14,603	14,603
Equity-settled share option arrangements . . . . .	—	—	—	—	—	—	7	7	—	7
Capital contribution in respect of employee share-based compensation . . . . .	—	—	203	—	—	—	—	203	—	203
<b>As at 31 December 2012 and 1 January 2013</b> . . . . .	—	—*	19,203*	3,168*	6*	(127,912)*	130*	(105,405)	21,145	(84,260)
Profit and total comprehensive income for the year . . . . .	—	—	—	—	—	26,305	—	26,305	(3,216)	23,089
Transfer from retained profits . . . . .	—	—	—	1,720	—	(1,720)	—	—	—	—
Capital contributions from non-controlling interests . . . . .	—	—	—	—	—	—	—	—	5,214	5,214
Disposal of subsidiaries . . . . .	—	—	(43,679)	—	—	—	—	(43,679)	—	(43,679)
Issue of shares . . . . .	—	314,477	—	—	—	—	—	314,477	—	314,477

Attributable to owners of the parent										
	Share capital (RMB'000)	Share premium (RMB'000)	Capital reserve (RMB'000)	Statutory and other surplus reserve (RMB'000)	Merger reserve (RMB'000)	Retained profits/ losses (RMB'000)	Share option reserve (RMB'000)	Non-controlling interests		Total equity (RMB'000)
								Total	(RMB'000)	
Equity-settled share option arrangements . . . . .	—	—	—	—	—	—	655	655	—	655
Capital contribution in respect of employee share-based compensation . . . . .	—	—	813	—	—	—	—	813	—	813
<b>As at 31 December 2013 and 1 January 2014 . . . . .</b>	—	314,477*	(23,663)*	4,888*	6*	(103,327)*	785*	193,166	23,143	216,309
Profit and total comprehensive income for the year . . . . .	—	—	—	—	—	45,865	—	45,865	(4,072)	41,793
Transfer from retained profits . . . . .	—	—	—	1,631	—	(1,631)	—	—	—	—
Capital contributions from non-controlling interests . . . . .	—	—	—	—	—	—	—	—	37,020	37,020
Acquisition of a subsidiary . . . . .	—	—	—	—	—	—	—	—	500	500
Equity-settled share option arrangements . . . . .	—	—	—	—	—	—	(785)	(785)	—	(785)
Capital contribution in respect of employee share-based compensation . . . . .	—	—	(436)	—	—	—	—	(436)	—	(436)

Attributable to owners of the parent										
	Share capital (RMB'000)	Share premium (RMB'000)	Capital reserve (RMB'000)	Statutory surplus and other reserve (RMB'000)	Merger reserve (RMB'000)	Retained profits/losses (RMB'000)	Share option reserve (RMB'000)	Total (RMB'000)	Non-controlling interests (RMB'000)	Total equity (RMB'000)
<b>As at 31 December 2014 and 1 January 2015</b> . . . . .	—	314,477*	(24,099)*	6,519*	6*	(59,093)*	—*	237,810	56,591	294,401
Profit and total comprehensive income for the period . . . . .	—	—	—	—	—	109,061	—	109,061	(7,314)	101,747
Capital contributions from non-controlling interests . . . . .	—	—	—	—	—	—	—	—	3,369	3,369
Acquisition of non-controlling interests . . . . .	—	—	2	—	—	—	—	2	(502)	(500)
Equity-settled share option arrangements . . . . .	—	—	—	—	—	—	122	122	—	122
Capital contribution in respect of employee share-based compensation . . . . .	—	—	984	—	—	—	—	984	—	984
<b>As at 31 October 2015</b> . . . . .	—	314,477*	(23,113)*	6,519*	6*	49,968*	122*	347,979	52,144	400,123

Attributable to owners of the parent										
	Share capital (RMB'000)	Share premium (RMB'000)	Capital reserve (RMB'000)	Statutory surplus and other reserve (RMB'000)	Merger reserve (RMB'000)	Retained profits/ losses (RMB'000)	Share option reserve (RMB'000)	Non-controlling interests		Total equity (RMB'000)
								Total	(RMB'000)	
As at 31 December 2013 and 1 January 2014.....	—	314,477*	(23,663)*	4,888*	6*	(103,327)*	785*	193,166	23,143	216,309
Profit and total comprehensive income for the period (unaudited).....	—	—	—	—	—	39,961	—	39,961	(3,031)	36,930
Capital contributions from non-controlling interests (unaudited).....	—	—	—	—	—	—	—	—	37,020	37,020
Acquisition of a subsidiary (unaudited).....	—	—	—	—	—	—	—	—	500	500
Equity-settled share option arrangements (unaudited)...	—	—	—	—	—	—	(785)	(785)	—	(785)
Capital contribution in respect of employee share-based compensation (unaudited)...	—	—	(374)	—	—	—	—	(374)	—	(374)
As at 31 October 2014 (unaudited).....	—	314,477*	(24,037)*	4,888*	6*	(63,366)*	—	231,968	57,632	289,600

\* These reserve accounts comprise the consolidated reserves of RMB105,405,000 (deficit), RMB193,166,000, RMB237,810,000, RMB231,968,000 and RMB347,979,000 in the consolidated statements of financial position as at 31 December 2012, 2013 and 2014, and 31 October 2014 and 2015, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Ten months ended 31 October	
		2012	2013	2014	2014	2015
		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
						(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit before tax:						
From continuing operations . . . . .		43,076	74,059	124,650	106,903	229,204
From a discontinued operation . . . .	13	(30,229)	(35,922)	(55,068)	(46,595)	(72,454)
Adjustments for:						
Depreciation of items of property, plant and equipment . . . . .	15	53,456	62,055	71,205	62,905	67,545
Depreciation of investment properties . . . . .	17	1,165	1,165	—	—	—
Amortization of other intangible assets . . . . .	19	3,243	2,828	1,884	1,525	1,596
Recognition of prepaid land lease payments . . . . .	16	180	180	—	—	—
Loss on disposal of items of property, plant and equipment, prepaid land lease payments and investment properties . . . . .		1,152	1,303	6,269	1,305	3,713
Gain on disposal of a discontinued operation . . . . .	13	—	—	—	—	(12,968)
Impairment of items of property, plant and equipment . . . . .	15	16,563	2,595	4,739	—	—
Provision for/(reversal of) impairment of inventories . . . . .		698	(1,265)	13,640	7,503	5,987
(Reversal of)/ provision for impairment of receivables . . . . .		(577)	428	484	540	361
Finance costs . . . . .	8	12,679	19,524	20,637	18,110	16,065
Gain on wealth investment products .	7	(318)	—	(2,348)	(1,165)	(2,707)
Recognition of government grants . .		—	—	—	—	(3,200)
Equity-settled share option expense .		210	1,468	(1,221)	(1,158)	1,106
Increase in inventories . . . . .		(127,990)	(94,578)	(66,135)	(34,327)	(90,866)
Increase in trade and notes receivables . . . . .		(28,985)	(7,408)	(30,041)	(46,595)	(161,031)
(Increase)/decrease in prepayments, deposits and other receivables . . . .		10,709	(117,107)	(1,444)	(66,312)	(4,795)
Increase in trade payables . . . . .		57,022	54,333	65,070	84,996	70,815
Increase/(decrease) in other payables and accruals . . . . .		(10,678)	42,841	(3,075)	69,814	31,972
Increase/(decrease) in amounts due to related parties . . . . .		39,178	95,179	92,548	6,944	(82,733)
Cash generated from operations . . . . .		40,554	101,678	241,794	164,393	(2,390)
Income tax paid . . . . .		(7,149)	(4,881)	(928)	(2,116)	(46,602)
Net cash flows from/(used in) operating activities . . . . .		33,405	96,797	240,866	162,277	(48,992)

	Notes	Year ended 31 December			Ten months ended 31 October	
		2012	2013	2014	2014	2015
		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments and investment properties . . . . .		266	12,650	4,698	12,399	10,081
Net cash inflow in respect of disposal of a discontinued operation . . . . .		—	—	—	—	23,067
Purchases of items of property, plant and equipment . . . . .		(68,473)	(120,611)	(121,660)	(103,266)	(67,557)
Purchases of other intangible assets . .		(1,322)	(645)	(1,657)	(1,049)	(9,435)
Disposal of subsidiaries (including cash in the subsidiaries disposed) . .	34	—	(8)	—	—	—
Acquisition of a subsidiary . . . . .	35	—	—	253	253	—
Receipt of government grants . . . . .		—	—	8,000	—	—
Increase in non-pledged time deposits .		—	—	(30,000)	(30,000)	—
Decrease in non-pledged time deposits.		—	—	—	—	30,000
Purchase of wealth investment products . . . . .		—	—	(108,000)	(88,000)	—
Proceeds from wealth investment products . . . . .		23,317	—	2,348	1,165	108,207
Advances to related parties . . . . .		(13,448)	(50,838)	(24,258)	(439)	(59,742)
Repayment of advances to related parties . . . . .		8,106	3,575	—	—	36,564
Net cash flows (used in)/from investing activities . . . . .		(51,554)	(155,877)	(270,276)	(208,937)	71,185
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
New bank loans . . . . .		210,000	619,616	500,204	340,847	638,198
Repayment of bank loans . . . . .		(145,400)	(390,000)	(595,216)	(418,851)	(559,204)
Interest paid . . . . .		(12,679)	(19,524)	(20,637)	(18,110)	(16,065)
Increase in pledged deposits . . . . .		—	(5,000)	(6,100)	(6,100)	(18,000)
Decrease in pledged deposits . . . . .		—	—	—	—	11,100
Advances from related parties . . . . .		5,111	—	2,497	—	10,050
Repayment of advances from related parties . . . . .		(922)	(48,650)	(23,345)	(3,201)	(1,652)
Acquisition of non-controlling interests . . . . .		—	—	—	—	(500)
Capital contributions by non-controlling shareholders . . . . .		14,603	5,214	37,020	37,020	3,369
Net cash flows from/(used in) financing activities . . . . .		70,713	161,656	(105,577)	(68,395)	67,296

Notes	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
<b>NET INCREASE/(DECREASE) IN</b>					
<b>CASH AND CASH</b>					
<b>EQUIVALENTS . . . . .</b>					
Cash and cash equivalents at	52,564	102,576	(134,987)	(115,055)	89,489
beginning of year/period . . . . .	57,341	108,966	211,366	211,366	76,362
Effect of foreign exchange rate					
changes, net . . . . .	<u>(939)</u>	<u>(176)</u>	<u>(17)</u>	<u>(5)</u>	<u>639</u>
<b>CASH AND CASH EQUIVALENTS</b>					
<b>AT END OF YEAR/PERIOD . . . . .</b>					
	<u>108,966</u>	<u>211,366</u>	<u>76,362</u>	<u>96,306</u>	<u>166,490</u>
<b>ANALYSIS OF BALANCES OF</b>					
<b>CASH AND CASH</b>					
<b>EQUIVALENTS</b>					
Cash and bank balances . . . . .	108,966	211,366	76,362	96,306	166,490
Non-pledged time deposits with					
original maturity of three months or					
more when acquired . . . . .	<u>—</u>	<u>—</u>	<u>30,000</u>	<u>30,000</u>	<u>—</u>
Cash and cash equivalents as stated in					
the consolidated statements of					
financial position . . . . .	108,966	211,366	106,362	126,306	166,490
Less: Non-pledged time deposits with					
original maturity of three months or					
more when acquired . . . . .	<u>—</u>	<u>—</u>	<u>30,000</u>	<u>30,000</u>	<u>—</u>
Cash and cash equivalents as stated in					
the consolidated statements of cash					
flows . . . . .	<u>108,966</u>	<u>211,366</u>	<u>76,362</u>	<u>96,306</u>	<u>166,490</u>



## STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December			As at
		2012	2013	2014	31 October
		(RMB'000)	(RMB'000)	(RMB'000)	2015
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries . . . . .	20	—	212,791	212,791	213,932
Total non-current assets . . . . .		—	212,791	212,791	213,932
<b>CURRENT ASSETS</b>					
Prepayments, deposits and other receivables . . . . .	23	—	—	—	3,968
Amounts due from a related party . . . . .	38	—	—	5,309	—
Amounts due from subsidiaries . .	38	—	384,087	309,122	377,248
Total current assets . . . . .		—	384,087	314,431	381,216
<b>CURRENT LIABILITIES</b>					
Interest-bearing bank borrowings .	28	—	—	—	63,495
Other payables and accruals . . . .	27	—	—	—	8,195
Amounts due to subsidiaries . . . .	38	—	48,774	—	4,377
Amounts due to related parties . .	38	—	20,849	—	3,400
Total current liabilities . . . . .		—	69,623	—	79,467
<b>NET CURRENT ASSETS</b> . . . . .		—	314,464	314,431	301,749
<b>TOTAL ASSETS LESS</b>					
<b>CURRENT LIABILITIES</b> . . . . .		—	527,255	527,222	515,681
<b>Net assets</b> . . . . .		—	527,255	527,222	515,681
<b>EQUITY</b>					
Share capital . . . . .	31	—	—	—	—
Reserves . . . . .	33	—	527,255	527,222	515,681
<b>Total equity</b> . . . . .		—	527,255	527,222	515,681

## II. NOTES TO THE FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 30 July 2012. The registered office address of the Company is Harbour Place, 2nd Floor, 103 South Church Street, P.O. Box 472, George Town, Grand Cayman KY1-1106, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in the sale of maternity, baby and children's products.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Majestic Sino Limited ("MJSL") (a)	British Virgin Islands ("BVI") 28 November 2008	US\$1,001	100%	—	Investment holding
Pinnacle Century Limited ("PINN") (a)	Samoa 12 January 2015	US\$1,000,000	—	55%	Investment holding
Ricky Bright Limited ("RCBL") (a)	BVI 20 August 2007	US\$3	100%	—	Investment holding
Prefect Horizon Limited ("PREF") (a)	Cayman Islands 6 January 2015	US\$50,000	55%	—	Investment holding
Goodbaby (China) Commercial Holdings Limited ("GCHL") (e)	Hong Kong 6 May 2010	HK\$10,000	—	100%	Investment holding
Era Will Limited ("ERWL") (b)	Hong Kong 27 February 2015	HK\$1	—	55%	Investment holding

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Goodbaby (China) Commercial Co., Ltd. ("GCCL") (c)	The People's Republic of China ("PRC") 11 June 2010	US\$40,000,000	—	100%	Wholesale and retail of children's products
Shanghai Goodbaby Children Fashion Co., Ltd. ("SHFS") (c)	PRC 20 January 1998	RMB10,000,000	—	100%	Distribution and retail business of children's products
Shanghai Goodbaby Children Products Co., Ltd. ("SGCP") (c)	PRC 7 March 2001	RMB5,000,000	—	100%	Retail of children's products through super-store sales, catalogue sales and online sales
Mothercare-Goodbaby China Retail Limited ("MGCR") (e)	Hong Kong 18 May 2007	HK\$201,000,000	—	70%	Investment holding
Mothercare-Goodbaby Retailing Co., Ltd. ("MGRL") (c)	PRC 13 September 2007	US\$37,086,000	—	70%	Retail business of children's products under Mothercare, ELC and the third party brands
Goodbaby (Shangqiu) Commercial Co., Ltd. ("GCSQ") (d)	PRC 26 March 2014	RMB6,000,000	—	51%	Wholesale and retail of children's products
Goodbaby (Fuyang) Commercial Co., Ltd. ("GCFY") (d)	PRC 27 January 2014	RMB10,000,000	—	51%	Wholesale and retail of children's products
Goodbaby (Qingdao) Commercial Co., Ltd. ("GCQD") (d)	PRC 20 May 2014	RMB10,000,000	—	51%	Wholesale and retail of children's products
Qingdao Maicheche Children Products Co., Ltd. ("QMCP") (f)	PRC 1 September 2010	RMB3,000,000	—	51%	Wholesale and retail of children's products
Goodbaby Nantong Fashion Co., Ltd. ("NTFS") (b)	PRC 19 March 2015	RMB10,000,000	—	80%	Wholesale and retail of children's products
Mommy Best Technology Co., Ltd. ("MAMA") (b)	PRC 23 July 2015	US\$2,000,000	—	55%	Mobile application sales

*Notes:*

- (a) No audited financial statements have been prepared for these entities since the dates of their respective incorporation as the entities are not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.
- (b) No audited financial statements have been prepared for these entities as these entities were newly incorporated in 2015.
- (c) The statutory financial statements of these entities for the years ended 31 December 2012, 2013 and 2014 were audited by Ernst & Young Hua Ming LLP Shanghai Branch, certified public accountants registered in the PRC.
- (d) No audited financial statements for the years ended 31 December 2012 and 2013 have been prepared for these entities as these entities were established in 2014. The statutory financial statements of these entities for the year ended 31 December 2014 were audited by Ernst & Young Hua Ming LLP Shanghai Branch, certified public accountants registered in the PRC.
- (e) The statutory financial statements of these entities for the years ended 31 December 2012, 2013 and 2014 were audited by Albert Wong & Co., certified public accountants registered in Hong Kong.
- (f) No audited financial statements have been prepared for this entity for the years ended 31 December 2012 and 2013. The statutory financial statements of this entity for the year ended 31 December 2014 were audited by Qingdao Maosheng Accounting Firm, certified public accountants registered in the PRC.

**2.1 BASIS OF PRESENTATION**

Pursuant to the Reorganization as more fully explained in the paragraph headed “—Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 31 December 2013. The companies now comprising the Group were under the common control of Mr. Song Zhenghuan and Ms. Fu Jingqiu (the “Controlling Shareholders”) before and after the Reorganization. Accordingly, for the purpose of this report, the Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

**2.2 BASIS OF PREPARATION**

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified

Public Accountants (“HKICPA”). All HKFRSs effective for the accounting periods commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. The Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not adopted the following new and revised HKFRSs that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	<i>Financial Instruments</i> <sup>2</sup>
HKFRS 10 and HKAS 28 Amendments	<i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>1</sup>
HKFRS 10, HKFRS 12 and HKAS 28 Amendments	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
HKFRS 11 Amendments	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>3</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
HKAS 1 Amendments	<i>Disclosure Initiative</i> <sup>1</sup>
HKAS 16 and HKAS 38 Amendments	<i>Clarification of Acceptable Methods of Depreciation and Amortization</i> <sup>1</sup>
HKAS 16 and HKAS 41 Amendments	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
HKAS 27 Amendments	<i>Equity Method in Separate Financial Statements</i> <sup>1</sup>
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs issued <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group’s results of operations and financial position.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

### **Fair value measurement**

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

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

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

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

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

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

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

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

### **Impairment of non-financial assets**

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

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



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

**Related parties**

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

**Property, plant and equipment and depreciation**

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

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

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over the estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings . . . . .	4.5%
Plant and machinery . . . . .	9% - 18%
Motor vehicles . . . . .	18% - 31.67%
Furniture and fixtures . . . . .	9% - 31.67%
Leasehold improvements . . . . .	20% - 50%

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

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

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

**Investment properties**

Investment properties are interests in buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method over the estimated useful lives of 20 years. Owner-occupied property is transferred to investment property when there is a change in use evidenced by the end of owner occupation.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognized.

**Non-current assets and disposal groups held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

#### ***Non-compete agreement***

Expenditures on acquired a non-compete agreement are capitalized and amortized using the straight-line method over its estimated useful life of ten years.

#### ***Trademarks***

Trademarks are capitalized and amortized using the straight-line method over their estimated useful lives of ten to thirty years.

#### ***Computer software***

Expenditure on computer software is capitalized and amortized using the straight-line method over its estimated useful life of five years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

#### **Leases**

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

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

**Investments and other financial assets***Initial recognition and measurement*

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

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

*Subsequent measurement**Loans and receivables*

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

*Available-for-sale financial investments*

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

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

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

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

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

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

**Impairment of financial assets**

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

***Financial assets carried at amortized cost***

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

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

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

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

*Available-for-sale financial investments*

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

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

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

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

**Financial liabilities***Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group’s financial liabilities include trade payables, other payables, amounts due to related parties and interest-bearing bank borrowings.

*Subsequent measurement**Loans and borrowings*

After initial recognition, trade payables, other payables, amounts due to related parties and interest-bearing bank borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.



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

**Derecognition of financial liabilities**

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

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

**Offsetting of financial instruments**

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

**Inventories**

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

Provision is made for foreseeable losses as soon as they are anticipated by management.

**Cash and cash equivalents**

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

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Provisions**

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

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

### **Income tax**

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

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

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

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

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

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

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

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

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

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

### **Government grants**

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### **Revenue recognition**

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

- (a) from the sale of goods, when the significant risks and rewards of ownership and title have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, when the service has been provided;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

**Share-based payments**

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the Financial Information.

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

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

**Other employee benefits*****Pension scheme***

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme managed by the local municipal government. The subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

**Borrowing costs**

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

**Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

**Foreign currencies**

This Financial Information is presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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

**Discontinued operation**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the beginning of the comparative period.

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

*Judgements*

In the process of applying the Group's accounting policies, management has made the following judgement which has the most significant effect on the amounts recognized in the Financial Information:

*Consolidation of a structured entity*

The Group considers that it controls SGCP even though equity interests in SGCP were owned by Mr. Song Zhenghuan and Ms. Fu Jingqiu as to 90% and 10%, respectively for the three years ended 31 December 2014 and the period from 1 January 2015 to 17 September 2015. Pursuant to a series of agreements entered into among the Group, Mr. Song Zhenghuan, Ms. Fu Jingqiu and SGCP ("Contractual Control Arrangement"), the Group has the rights to variable returns from its involvement with SGCP and has the ability to affect those returns through its power over SGCP.

On 17 September 2015, Mr. Song Zhenghuan and Ms. Fu Jingqiu respectively transferred their 90% and 10% equity interests in SGCP to GCCL at a total consideration of RMB5,000,000.

*Operating lease commitments — group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

*Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

*Estimation uncertainty*

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

*Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose suitable discount rates in order to calculate the present value of those cash flows. Further details are contained in note 18.

*Impairment of non-financial assets (other than goodwill)*

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

*Deferred tax assets*

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Details of unrecognized tax losses at the end of each reporting period are contained in note 30.

*Provision for impairment of trade and notes receivables*

The provision policy for impairment of trade and notes receivables is based on ongoing evaluation of the collectability and aging analysis of the outstanding receivables. Where the actual outcome is different from the original estimate, actual write-offs will be higher than estimated. Further details are contained in note 22.

*Provision for slow-moving inventories*

Provision for slow-moving inventories is made based on the aging analysis and estimated net realizable value of inventories. The assessment of the provision amount requires involvement of management judgement and estimates. Where the actual outcome is different from the original estimate, such difference will impact the carrying value of inventories and provision charge/write back in the period in which such an estimate has been changed. Further details are contained in note 21.

*Share-based payments*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. Details of share-based payments are contained in note 32.

**5. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organized into business units based on their sales networks and has three reportable operating segments as follows:

- (a) Online sales: includes sales to end-customers on the Group's own web-based sales platforms and on cn.mothercare.com, and the sales to online key accounts and authorized third-party online retailers, both of whom on-sell to end-customers;
- (b) Self-operated offline retail: includes sales to end-customers through self-operated stores and offline sales events organized by the Group's headquarters and branch offices; and
- (c) Offline others: includes sales to offline distributors, stores operated by authorized third-party offline retailers, supermarkets and hypermarkets, third-party maternity and childcare specialty stores and other offline customers and sales through supermarkets and hypermarkets under concession arrangements.



Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations. The adjusted profit or loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that other income and gains, finance costs as well as head office and corporate expenses are excluded from such measurement.

Year ended 31 December 2012	Online sales	Self-operated offline retail	Offline others	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>Segment revenue:</b>				
Sales to external customers . . . . .	99,142	1,250,226	574,671	1,924,039
<i>Reconciliation:</i>				
Revenue from continuing operations . . . . .				<u>1,924,039</u>
<b>Segment results</b> . . . . .	13,654	58,439	71,128	143,221
<i>Reconciliation:</i>				
Other income and gains . . . . .				9,615
Corporate and other unallocated expenses . . . .				(97,081)
Finance costs . . . . .				<u>(12,679)</u>
Profit before tax from continuing operations . .				<u>43,076</u>
Year ended 31 December 2013	Online sales	Self-operated offline retail	Offline others	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>Segment revenue:</b>				
Sales to external customers . . . . .	352,330	1,482,095	489,470	2,323,895
<i>Reconciliation:</i>				
Revenue from continuing operations . . . . .				<u>2,323,895</u>
<b>Segment results</b> . . . . .	49,170	76,050	68,686	193,906
<i>Reconciliation:</i>				
Other income and gains . . . . .				23,742
Corporate and other unallocated expenses . . . .				(124,065)
Finance costs . . . . .				<u>(19,524)</u>
Profit before tax from continuing operations . .				<u>74,059</u>

**APPENDIX I**
**ACCOUNTANTS' REPORT**

Year ended 31 December 2014	Self-operated			Total
	Online sales	offline retail	Offline others	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>Segment revenue:</b>				
Sales to external customers . . . . .	674,149	1,766,987	622,186	3,063,322
<i>Reconciliation:</i>				
Revenue from continuing operations . . . . .				3,063,322
<b>Segment results . . . . .</b>	129,962	44,323	80,638	254,923
<i>Reconciliation:</i>				
Other income and gains . . . . .				17,907
Corporate and other unallocated expenses . . . . .				(127,543)
Finance costs . . . . .				(20,637)
Profit before tax from continuing operations . . . . .				124,650
<b>Ten months ended 31 October 2015</b>	<b>Online sales</b>	<b>Self-operated offline retail</b>	<b>Offline others</b>	<b>Total</b>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>Segment revenue:</b>				
Sales to external customers . . . . .	670,736	1,781,662	548,538	3,000,936
<i>Reconciliation:</i>				
Revenue from continuing operations . . . . .				3,000,936
<b>Segment results . . . . .</b>	141,473	94,681	91,436	327,590
<i>Reconciliation:</i>				
Other income and gains . . . . .				35,785
Corporate and other unallocated expenses . . . . .				(118,106)
Finance costs . . . . .				(16,065)
Profit before tax from continuing operations . . . . .				229,204

Ten months ended 31 October 2014 (unaudited)	Self-operated			Total
	Online sales	offline retail	Offline others	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>Segment revenue:</b>				
Sales to external customers . . . . .	474,776	1,511,893	514,647	2,501,316
<i>Reconciliation:</i>				
Revenue from continuing operations . . . . .				2,501,316
<b>Segment results</b> . . . . .	84,928	38,378	67,694	191,000
<i>Reconciliation:</i>				
Other income and gains . . . . .				14,171
Corporate and other unallocated expenses . . . .				(80,158)
Finance costs . . . . .				(18,110)
Profit before tax from continuing operations . .				106,903

### Geographical information

During the Relevant Periods and the ten months ended 31 October 2014, all of the Group's revenue was generated from Mainland China. All of the non-current assets of the Group were located in Mainland China.

### Information about major customers

No revenue from a single customer contributed 10% or more to the Group's revenue during the Relevant Periods and the ten months ended 31 October 2014.

## 6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from investment properties.

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

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
<b>Revenue</b>					
Sales of goods . . . . .	<u>1,924,039</u>	<u>2,323,895</u>	<u>3,063,322</u>	<u>2,501,316</u>	<u>3,000,936</u>
<b>Other income and gains</b>					
Service fee income (Note (a)) . . . . .	808	617	1,272	1,168	1,468
Insurance and other claims . . . . .	747	1,516	336	58	288
Sales of materials . . . . .	1,123	942	2,060	1,970	3,232
Gain on wealth investment products . . . . .	318	—	2,348	1,165	2,707
Bank interest income . . . . .	569	1,387	790	659	1,866
Government grants (Note (b)) . . . . .	3,313	12,872	10,338	8,659	26,150
Exchange gain . . . . .	—	4,308	—	—	—
Gross rental income . . . . .	2,031	1,858	—	—	—
Others . . . . .	<u>706</u>	<u>242</u>	<u>763</u>	<u>492</u>	<u>74</u>
Total . . . . .	<u>9,615</u>	<u>23,742</u>	<u>17,907</u>	<u>14,171</u>	<u>35,785</u>

Note (a): Service fee income represents revenue earned relating to sales distribution and maintenance.

Note (b): The amount represents rental subsidy and other subsidies received from local governments. The amount of such government grants is determined solely at the discretion of the relevant government authorities and there is no assurance that the Group will continue to receive the government grants in the future. There were no unfulfilled conditions or contingencies attaching to these grants.

## 7. PROFIT BEFORE TAX

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

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
					(unaudited)
Cost of inventories sold . . . . .	1,052,759	1,277,527	1,743,415	1,413,869	1,667,539
Depreciation of items of property, plant and equipment . . . . .	47,238	55,679	64,523	49,703	62,486
Depreciation of investment properties (note 17) . . . . .	1,165	1,165	—	—	—
Amortization of other intangible assets . . . . .	2,835	2,660	1,869	1,525	1,585
Amortization of prepaid land lease payments (note 16) . . . . .	180	180	—	—	—
Minimum lease payments under operating leases . . . . .	49,921	71,292	99,589	81,733	95,585
Auditors' remuneration . . . . .	1,067	1,313	1,307	1,226	1,618
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9))					
Wages and salaries . . . . .	280,495	339,654	410,971	321,663	353,537
Equity-settled share option expense . . . . .	210	1,408	(1,210)	(1,145)	1,077
Pension scheme contributions . . . . .	18,284	22,161	27,953	24,145	28,903
	<u>298,989</u>	<u>363,223</u>	<u>437,714</u>	<u>344,663</u>	<u>383,517</u>
Foreign exchange differences, net . . . . .	1,832	(4,308)	1,227	966	2,417
Impairment of items of property, plant and equipment . . . . .	14,777	—	—	—	—
(Reversal of)/provision for impairment of receivables . . . . .	(577)	428	484	540	361
(Reversal of)/provision for impairment of inventories . . . . .	(87)	(2,069)	14,492	7,916	(3,725)
Loss on disposal of items of property, plant and equipment . . . . .	564	158	1,908	395	3,635
Gain on wealth investment products . . . . .	(318)	—	(2,348)	(1,165)	(2,707)
Bank interest income . . . . .	(569)	(1,387)	(790)	(659)	(1,866)
Rental income on investment properties less direct operating expenses . . . . .	<u>(866)</u>	<u>(693)</u>	<u>—</u>	<u>—</u>	<u>—</u>

## 8. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Interest on bank loans wholly repayable within five years . . . . .	12,679	19,524	20,637	18,110	16,065

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Song Zhenghuan was appointed as director of the Company on 30 July 2012 and re-designated as executive director of the Company on 25 September 2015. Ms. Fu Jingqiu was appointed as director of the Company on 30 July 2012 and re-designated as chief executive officer and executive director of the Company on 25 September 2015. Ms. Sharon Nan Kobler and Mr. Wang Yadong were appointed as executive directors of the Company on 25 September 2015. Mr. Liu Tongyou, was appointed as non-executive director on 25 September 2015. Mr. Ngai Wai Fung, Ms. Caroline Irene Chen and Mr. Leung Lim Kin, Simon were appointed as independent non-executive directors of the Company on 6 January 2016.

Certain directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of these directors is set out below:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Fees . . . . .	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind . . . . .	7,289	7,409	7,289	6,074	5,876
Performance related bonuses . . . . .	—	—	—	—	—
Equity-settled share option expense . . . . .	—	60	(11)	(14)	29
Pension scheme contributions . . . . .	—	—	—	—	6
	<u>7,289</u>	<u>7,469</u>	<u>7,278</u>	<u>6,060</u>	<u>5,911</u>

During the Relevant Periods and the ten months ended 31 October 2014, one director was granted share options, in respect of her service to the Group, further details of which are set out in note 32 to the Financial Information. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Financial Information for the Relevant Periods and the ten months ended 31 October 2014 are included in the above directors' and chief executive's remuneration disclosures.

(a) **Independent non-executive directors**

No independent non-executive director was appointed and there were no fees and other emoluments payable to the independent non-executive director during the Relevant Periods.

(b) **Executive directors and non-executive director**

	Year ended 31 December 2012				
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Song Zhenghuan . . . . .	—	—	—	—	—
Ms. Fu Jingqiu . . . . .	—	5,489	—	—	5,489
Ms. Sharon Nan Kobler . . . . .	—	1,800	—	—	1,800
Mr. Wang Yadong . . . . .	—	—	—	—	—
Non-executive director:					
Mr. Liu Tongyou . . . . .	—	—	—	—	—
	—	7,289	—	—	7,289

## Year ended 31 December 2013

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Song Zhenghuan. . . . .	—	—	—	—	—
Ms. Fu Jingqiu . . . . .	—	5,489	—	—	5,489
Ms. Sharon Nan Kobler . . . . .	—	1,920	—	60	1,980
Mr. Wang Yadong . . . . .	—	—	—	—	—
Non-executive director:					
Mr. Liu Tongyou. . . . .	—	—	—	—	—
	—	7,409	—	60	7,469

## Year ended 31 December 2014

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Song Zhenghuan. . . . .	—	—	—	—	—
Ms. Fu Jingqiu . . . . .	—	5,489	—	—	5,489
Ms. Sharon Nan Kobler . . . . .	—	1,800	—	(11)	1,789
Mr. Wang Yadong . . . . .	—	—	—	—	—
Non-executive director:					
Mr. Liu Tongyou. . . . .	—	—	—	—	—
	—	7,289	—	(11)	7,278



Ten months ended 31 October 2015					
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Song Zhenghuan. . . . .	—	—	—	—	—
Ms. Fu Jingqiu . . . . .	—	4,574	—	—	4,574
Ms. Sharon Nan Kobler . . . . .	—	1,200	—	29	1,229
Mr. Wang Yadong . . . . .	—	102	6	—	108
Non-executive director:					
Mr. Liu Tongyou. . . . .	—	—	—	—	—
	—	5,876	6	29	5,911

Ten months ended 31 October 2014 (unaudited)					
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Song Zhenghuan. . . . .	—	—	—	—	—
Ms. Fu Jingqiu . . . . .	—	4,574	—	—	4,574
Ms. Sharon Nan Kobler . . . . .	—	1,500	—	(14)	1,486
Mr. Wang Yadong . . . . .	—	—	—	—	—
Non-executive director:					
Mr. Liu Tongyou. . . . .	—	—	—	—	—
	—	6,074	—	(14)	6,060

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the ten months ended 31 October 2014.

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the ten months ended 31 October 2014 included 2 directors, details of whose remuneration are set out in note 9 above. Details of the remaining 3 highest paid employees who are neither a director nor chief executive of the Company for the Relevant Periods and the ten months ended 31 October 2014 are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Salaries, allowances and benefits in kind . . . . .	5,395	6,131	6,537	5,477	5,486
Pension scheme contributions . . . . .	9	9	10	8	6
Equity-settled share option expense . . . . .	16	49	(24)	(26)	123
	<u>5,420</u>	<u>6,189</u>	<u>6,523</u>	<u>5,459</u>	<u>5,615</u>

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

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
				(unaudited)	
Nil to RMB1,000,000 . . . . .	1	—	—	—	1
RMB1,000,001 to RMB1,500,000 . . . . .	—	1	1	1	—
RMB1,500,001 to RMB2,000,000 . . . . .	—	—	—	—	—
RMB2,000,001 to RMB3,000,000 . . . . .	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods and the ten months ended 31 October 2014, share options were granted to one non-director highest paid employee in respect of his service to the Group, further details of which are included in note 32. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Financial Information for the Relevant Periods and the ten months ended 31 October 2014 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

**11. INCOME TAX**

The Group is subject to income tax on an entity basis on profits arising in or derived from the countries/jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, BVI and Samoa, the Group is not subject to any income tax in those jurisdictions.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods and the ten months ended 31 October 2014.

The provision for Mainland China corporate income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries of the Group operating in Mainland China as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law").

Pursuant to relevant tax rules in the PRC, SHFS is a foreign investment enterprise established in Mainland China and entitled to first two years tax exemption and subsequent 3 years 50% tax deduction on corporate income tax from the first profit making year. The applicable tax rates for SHFS are 12.5% for the year ended 31 December 2012 and 25% for the years ended 31 December 2013, 2014 and ten-month periods ended 31 October 2014 and 2015. In addition, GCSQ enjoyed a 20% preferential corporate income tax rate in 2014 according to the Small Low-profit Enterprises Regulations.

The major components of income tax (credit)/expense of the Group are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Current income tax — Mainland					
China . . . . .	3,071	723	12,472	6,587	42,997
Deferred tax (note 30) . . . . .	(49,506)	14,325	15,317	16,791	12,006
Total tax (credit)/charge for the year/period . . . . .	<u>(46,435)</u>	<u>15,048</u>	<u>27,789</u>	<u>23,378</u>	<u>55,003</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate are as follows:

	Year ended 31 December						Ten months ended 31 October			
	2012		2013		2014		2014		2015	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
	(unaudited)									
Profit before tax from continuing operations . . . . .	<u>43,076</u>		<u>74,059</u>		<u>124,650</u>		<u>106,903</u>		<u>229,204</u>	
Tax at the statutory tax rate . . . . .	10,769	25.0	18,515	25.0	31,162	25.0	26,726	25.0	57,301	25.0
Lower tax rates for specific provinces or enacted by local authority . . . . .	(5,050)	(11.7)	(437)	(0.6)	(40)	—	(33)	—	—	—
Recognition of deductible temporary differences . . . . .	(42,369)	(98.3)	—	—	—	—	—	—	—	—
Effect on opening deferred tax of increase in rates . . . . .	(3,296)	(7.7)	—	—	—	—	—	—	—	—
Tax losses utilized . . . . .	(16,966)	(39.4)	(8,853)	(11.9)	(13,926)	(11.2)	(11,649)	(10.9)	(18,114)	(7.9)
Tax losses not recognized . . . . .	1,008	2.3	4,459	6.0	2,999	2.4	1,541	1.4	9,813	4.3
Expenses not deductible for tax . . . . .	<u>9,469</u>	22.0	<u>1,364</u>	1.8	<u>7,594</u>	6.1	<u>6,793</u>	6.4	<u>6,003</u>	2.6
Tax (credit)/charge at the Group's effective rate . . . . .	<u>(46,435)</u>	(107.8)	<u>15,048</u>	20.3	<u>27,789</u>	22.3	<u>23,378</u>	21.9	<u>55,003</u>	24.0

## 12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profits attributable to owners of the parent for the years ended 31 December 2012, 2013 and 2014 and the ten months period ended 31 October 2015 includes a loss of nil, RMB13,000, RMB33,000 and RMB12,647,000 which have been dealt with in the financial statements of the Company (note 33).

## 13. DISCONTINUED OPERATION

On 10 March 2015, the Group entered into an agreement with a third party buyer to dispose of a separate line of business within SGCP, namely Mama's Goodbaby ("MMGB"). Pursuant to the agreement, certain property, plant and equipment and inventories would be disposed of to the third party buyer.

The results of MMGB for the Relevant Periods and the ten months ended 31 October 2014 are presented below:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(Unaudited)	
Revenue . . . . .	119,956	133,999	190,513	167,735	51,094
Expenses . . . . .	(150,185)	(169,921)	(245,581)	(214,330)	(136,516)
Loss of the discontinued operation . . .	(30,229)	(35,922)	(55,068)	(46,595)	(85,422)
Gain on the disposal of disposal group constituting the discontinued operation . . . . .	—	—	—	—	12,968
Loss before tax from the discontinued operation . . . . .	<u>(30,229)</u>	<u>(35,922)</u>	<u>(55,068)</u>	<u>(46,595)</u>	<u>(72,454)</u>

The net cash flows incurred by MMGB are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(Unaudited)	
Operating activities . . . . .	9,091	10,846	13,522	7,558	149
Investing activities . . . . .	(11,207)	(10,970)	(12,430)	(2,164)	(128)
Net cash (outflow)/inflow . . . . .	<u>(2,116)</u>	<u>(124)</u>	<u>1,092</u>	<u>5,394</u>	<u>21</u>

#### 14. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to Reorganization.

## 15. PROPERTY, PLANT AND EQUIPMENT

## Group

31 December 2012

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2012:							
Cost . . . . .	21,535	2,425	2,503	26,370	127,659	14,888	195,380
Accumulated depreciation and impairment . . . . .	<u>(2,332)</u>	<u>(1,316)</u>	<u>(822)</u>	<u>(13,558)</u>	<u>(52,409)</u>	<u>—</u>	<u>(70,437)</u>
Net carrying amount . . . . .	<u>19,203</u>	<u>1,109</u>	<u>1,681</u>	<u>12,812</u>	<u>75,250</u>	<u>14,888</u>	<u>124,943</u>
At 1 January 2012, net of accumulated depreciation and impairment . . . . .							
	19,203	1,109	1,681	12,812	75,250	14,888	124,943
Additions . . . . .	—	90	1,147	4,355	49,628	13,253	68,473
Disposals . . . . .	—	—	—	(100)	(1,318)	—	(1,418)
Depreciation provided during the year . . . . .	(1,615)	(250)	(574)	(3,570)	(47,447)	—	(53,456)
Impairment provided during the year . . . . .	—	—	—	(55)	(1,731)	(14,777)	(16,563)
Transfers . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,353</u>	<u>(12,353)</u>	<u>—</u>
At 31 December 2012, net of accumulated depreciation and impairment . . . . .							
	<u>17,588</u>	<u>949</u>	<u>2,254</u>	<u>13,442</u>	<u>86,735</u>	<u>1,011</u>	<u>121,979</u>
At 31 December 2012:							
Cost . . . . .	21,535	2,515	3,650	30,374	154,806	15,788	228,668
Accumulated depreciation and impairment . . . . .	<u>(3,947)</u>	<u>(1,566)</u>	<u>(1,396)</u>	<u>(16,932)</u>	<u>(68,071)</u>	<u>(14,777)</u>	<u>(106,689)</u>
Net carrying amount . . . . .	<u>17,588</u>	<u>949</u>	<u>2,254</u>	<u>13,442</u>	<u>86,735</u>	<u>1,011</u>	<u>121,979</u>

## 31 December 2013

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 31 December 2012 and at 1 January 2013:							
Cost . . . . .	21,535	2,515	3,650	30,374	154,806	15,788	228,668
Accumulated depreciation and impairment . . . . .	<u>(3,947)</u>	<u>(1,566)</u>	<u>(1,396)</u>	<u>(16,932)</u>	<u>(68,071)</u>	<u>(14,777)</u>	<u>(106,689)</u>
Net carrying amount . . . . .	<u>17,588</u>	<u>949</u>	<u>2,254</u>	<u>13,442</u>	<u>86,735</u>	<u>1,011</u>	<u>121,979</u>
At 1 January 2013, net of accumulated depreciation and impairment . . . . .	17,588	949	2,254	13,442	86,735	1,011	121,979
Additions . . . . .	—	210	169	13,257	96,319	10,656	120,611
Disposals . . . . .	<u>(15,575)</u>	<u>(58)</u>	<u>(36)</u>	<u>(325)</u>	<u>(2,097)</u>	<u>(6,803)</u>	<u>(24,894)</u>
Depreciation provided during the year . . . . .	<u>(2,013)</u>	<u>(187)</u>	<u>(511)</u>	<u>(4,231)</u>	<u>(55,113)</u>	—	<u>(62,055)</u>
Impairment provided during the year . . . . .	—	—	—	<u>(88)</u>	<u>(2,507)</u>	—	<u>(2,595)</u>
Transfers . . . . .	—	—	—	—	<u>4,270</u>	<u>(4,270)</u>	—
At 31 December 2013, net of accumulated depreciation and impairment . . . . .	<u>—</u>	<u>914</u>	<u>1,876</u>	<u>22,055</u>	<u>127,607</u>	<u>594</u>	<u>153,046</u>
At 31 December 2013:							
Cost . . . . .	—	2,442	2,808	40,021	228,156	15,371	288,798
Accumulated depreciation and impairment . . . . .	<u>—</u>	<u>(1,528)</u>	<u>(932)</u>	<u>(17,966)</u>	<u>(100,549)</u>	<u>(14,777)</u>	<u>(135,752)</u>
Net carrying amount . . . . .	<u>—</u>	<u>914</u>	<u>1,876</u>	<u>22,055</u>	<u>127,607</u>	<u>594</u>	<u>153,046</u>

## 31 December 2014

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 31 December 2013 and at 1 January 2014:							
Cost . . . . .	—	2,442	2,808	40,021	228,156	15,371	288,798
Accumulated depreciation and impairment . . . . .	—	(1,528)	(932)	(17,966)	(100,549)	(14,777)	(135,752)
Net carrying amount . . . . .	<u>—</u>	<u>914</u>	<u>1,876</u>	<u>22,055</u>	<u>127,607</u>	<u>594</u>	<u>153,046</u>
At 1 January 2014, net of accumulated depreciation and impairment . . . . .	—	914	1,876	22,055	127,607	594	153,046
Additions . . . . .	—	187	3,686	12,463	102,813	2,511	121,660
Acquisition of a subsidiary (note 35). . . . .	—	—	—	26	—	—	26
Disposals . . . . .	—	—	(53)	(776)	(10,138)	—	(10,967)
Depreciation provided during the year . . . . .	—	(326)	(1,360)	(6,217)	(63,302)	—	(71,205)
Impairment provided during the year . . . . .	—	—	—	(314)	(4,425)	—	(4,739)
Transfers . . . . .	—	—	—	151	607	(758)	—
At 31 December 2014, net of accumulated depreciation and impairment . . . . .	<u>—</u>	<u>775</u>	<u>4,149</u>	<u>27,388</u>	<u>153,162</u>	<u>2,347</u>	<u>187,821</u>
At 31 December 2014:							
Cost . . . . .	—	2,629	6,388	50,333	294,267	17,124	370,741
Accumulated depreciation and impairment . . . . .	—	(1,854)	(2,239)	(22,945)	(141,105)	(14,777)	(182,920)
Net carrying amount . . . . .	<u>—</u>	<u>775</u>	<u>4,149</u>	<u>27,388</u>	<u>153,162</u>	<u>2,347</u>	<u>187,821</u>



## 31 October 2015

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 31 December 2014 and at 1 January 2015:							
Cost . . . . .	—	2,629	6,388	50,333	294,267	17,124	370,741
Accumulated depreciation and impairment . . . . .	—	(1,854)	(2,239)	(22,945)	(141,105)	(14,777)	(182,920)
Net carrying amount . . . . .	<u>—</u>	<u>775</u>	<u>4,149</u>	<u>27,388</u>	<u>153,162</u>	<u>2,347</u>	<u>187,821</u>
At 1 January 2015, net of accumulated depreciation and impairment . . . . .	—	775	4,149	27,388	153,162	2,347	187,821
Additions . . . . .	—	318	480	3,259	62,619	881	67,557
Disposals . . . . .	—	—	—	(2,514)	(10,909)	—	(13,423)
Disposal of a discontinued operation . . . . .	—	—	—	(3,039)	(4,409)	—	(7,448)
Depreciation provided during the period . . . . .	—	(213)	(922)	(4,447)	(61,963)	—	(67,545)
At 31 October 2015, net of accumulated depreciation and impairment . . . . .	<u>—</u>	<u>880</u>	<u>3,707</u>	<u>20,647</u>	<u>138,500</u>	<u>3,228</u>	<u>166,962</u>
At 31 October 2015:							
Cost . . . . .	—	2,947	6,868	39,951	301,759	18,005	369,530
Accumulated depreciation and impairment . . . . .	—	(2,067)	(3,161)	(19,304)	(163,259)	(14,777)	(202,568)
Net carrying amount . . . . .	<u>—</u>	<u>880</u>	<u>3,707</u>	<u>20,647</u>	<u>138,500</u>	<u>3,228</u>	<u>166,962</u>

## 16. PREPAID LAND LEASE PAYMENTS

## Group

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Carrying amount at beginning of the year/period . . . . .	6,612	6,432	—	—
Recognized during the year/period . . . . .	(180)	(180)	—	—
Disposed during the year/period . . . . .	—	(6,252)	—	—
Carrying amount at end of the year/period . . . . .	6,432	—	—	—
Current portion included in prepayments, deposits and other receivables . . . . .	(180)	—	—	—
Non-current portion . . . . .	6,252	—	—	—

The leasehold land was situated in Mainland China. It was disposed to a related party, Goodbaby Group Co., Ltd. ("GGCL") at its carrying value (note 38) during the year ended 31 December 2013.

## 17. INVESTMENT PROPERTIES

## Group

	Buildings
	(RMB'000)
At 1 January 2012	
Cost . . . . .	16,515
Accumulated depreciation . . . . .	(1,602)
Net carrying amount . . . . .	14,913
At 1 January 2012, net of accumulated depreciation . . . . .	14,913
Depreciation provided during the year . . . . .	(1,165)
At 31 December 2012, net of accumulated depreciation . . . . .	13,748
At 31 December 2012 and 1 January 2013	
Cost . . . . .	16,515
Accumulated depreciation . . . . .	(2,767)
Net carrying amount . . . . .	13,748
At 1 January 2013, net of accumulated depreciation . . . . .	13,748
Depreciation provided during the year . . . . .	(1,165)
Disposals . . . . .	(12,583)
At 31 December 2013, net of accumulated depreciation . . . . .	—

The Group's investment properties consisted of two industrial properties in Mainland China.

The investment properties were measured at cost less provisions for depreciation and impairment.

As of 31 December 2012, the fair value of the investment properties was RMB24,470,000, according to a valuation performed by an independent professionally qualified valuer, on the basis of capitalization of net rental incomes.

The investment properties were disposed at their carrying values to GGCL at its carrying value (note 38) during the year ended 31 December 2013.

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2012 using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Not measured at fair value but fair value is disclosed:				
Industrial properties . . . . .	—	—	24,470	24,470

## 18. GOODWILL

### Group

	(RMB'000)
Cost and net carrying amount at 1 January 2012, 31 December 2012 and 2013 . . . . .	18,712
Acquisition of a subsidiary (note 35) . . . . .	1
Cost and net carrying amount at 31 December 2014 and 31 October 2015 . . . . .	<u>18,713</u>

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Baby soothing toys cash-generating unit; and
- QMCP cash-generating unit

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	As at 31 December			As at
	2012	2013	2014	31 October
	(RMB'000)	(RMB'000)	(RMB'000)	2015
				(RMB'000)
Baby soothing toys .....	18,712	18,712	18,712	18,712
QMCP .....	—	—	1	1
	<u>18,712</u>	<u>18,712</u>	<u>18,713</u>	<u>18,713</u>

#### *Baby soothing toys cash-generating unit*

The recoverable amount of the baby soothing toys cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to cash flow projections at 31 December 2012, 2013 and 2014 and 31 October 2015 are 21.1%, 22.8%, 21.8% and 21.9%, respectively. The growth rate used to extrapolate the cash flows of the baby soothing toys unit beyond the five-year period at the end of each of the Relevant Periods is 3%.

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

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

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

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

## 19. OTHER INTANGIBLE ASSETS

## Group

31 December 2012

	Non-compete agreement	Trademarks	Computer software	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2012:				
Cost .....	483	4,573	11,145	16,201
Accumulated amortization .....	(44)	(1,348)	(5,439)	(6,831)
Net carrying amount .....	<u>439</u>	<u>3,225</u>	<u>5,706</u>	<u>9,370</u>
Cost at 1 January 2012, net of accumulated depreciation .....				
	439	3,225	5,706	9,370
Additions .....	—	—	1,322	1,322
Amortization provided during the year .....	(49)	(1,053)	(2,141)	(3,243)
At 31 December 2012 .....	<u>390</u>	<u>2,172</u>	<u>4,887</u>	<u>7,449</u>
At 31 December 2012:				
Cost .....	483	4,573	12,467	17,523
Accumulated amortization .....	(93)	(2,401)	(7,580)	(10,074)
Net carrying amount .....	<u>390</u>	<u>2,172</u>	<u>4,887</u>	<u>7,449</u>

## 31 December 2013

	Non-compet agreement	Trademarks	Computer software	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 31 December 2012 and at 1 January 2013:				
Cost . . . . .	483	4,573	12,467	17,523
Accumulated amortization. . . . .	(93)	(2,401)	(7,580)	(10,074)
Net carrying amount. . . . .	<u>390</u>	<u>2,172</u>	<u>4,887</u>	<u>7,449</u>
Cost at 1 January 2013, net of accumulated depreciation . . . . .				
	390	2,172	4,887	7,449
Additions . . . . .	—	—	645	645
Amortization provided during the year. . . . .	(48)	(986)	(1,794)	(2,828)
At 31 December 2013 . . . . .	<u>342</u>	<u>1,186</u>	<u>3,738</u>	<u>5,266</u>
At 31 December 2013:				
Cost . . . . .	483	4,573	13,112	18,168
Accumulated amortization. . . . .	(141)	(3,387)	(9,374)	(12,902)
Net carrying amount. . . . .	<u>342</u>	<u>1,186</u>	<u>3,738</u>	<u>5,266</u>

## 31 December 2014

	Non-compet agreement	Trademarks	Computer software	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 31 December 2013 and at 1 January 2014:				
Cost . . . . .	483	4,573	13,112	18,168
Accumulated amortization. . . . .	(141)	(3,387)	(9,374)	(12,902)
Net carrying amount. . . . .	<u>342</u>	<u>1,186</u>	<u>3,738</u>	<u>5,266</u>
Cost at 1 January 2014, net of accumulated depreciation . . . . .				
	342	1,186	3,738	5,266
Additions . . . . .	—	—	1,657	1,657
Amortization provided during the year. . . . .	(48)	(252)	(1,584)	(1,884)
At 31 December 2014 . . . . .	<u>294</u>	<u>934</u>	<u>3,811</u>	<u>5,039</u>
At 31 December 2014:				
Cost . . . . .	483	4,573	14,769	19,825
Accumulated amortization. . . . .	(189)	(3,639)	(10,958)	(14,786)
Net carrying amount. . . . .	<u>294</u>	<u>934</u>	<u>3,811</u>	<u>5,039</u>

## 31 October 2015

	Non-compete agreement	Trademarks	Computer software	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 31 December 2014 and at 1 January 2015:				
Cost . . . . .	483	4,573	14,769	19,825
Accumulated amortization. . . . .	(189)	(3,639)	(10,958)	(14,786)
Net carrying amount. . . . .	<u>294</u>	<u>934</u>	<u>3,811</u>	<u>5,039</u>
Cost at 1 January 2015, net of accumulated depreciation . . . . .				
	294	934	3,811	5,039
Additions . . . . .	—	—	9,435	9,435
Disposals . . . . .	—	—	(370)	(370)
Amortization provided during the period . . . . .	(39)	(126)	(1,431)	(1,596)
At 31 October 2015 . . . . .	<u>255</u>	<u>808</u>	<u>11,445</u>	<u>12,508</u>
At 31 October 2015:				
Cost . . . . .	483	4,573	22,162	27,218
Accumulated amortization. . . . .	(228)	(3,765)	(10,717)	(14,710)
Net carrying amount. . . . .	<u>255</u>	<u>808</u>	<u>11,445</u>	<u>12,508</u>

## 20. INVESTMENTS IN SUBSIDIARIES

## Company

	As at 31 December			As at 31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Unlisted shares, at cost . . . . .	—	212,791	212,791	212,826
Capital contribution in respect of employee share-based compensation . . . . .	—	—	—	1,106
	<u>—</u>	<u>212,791</u>	<u>212,791</u>	<u>213,932</u>

Particulars of the subsidiaries are disclosed in note 1.

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	As at 31 December			As at 31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Percentage of equity interest held by non-controlling interests:				
MGRL .....	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>
	Year ended 31 December			Ten months ended 31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Loss for the year/period allocated to non-controlling interests:				
MGRL .....	<u>(4,053)</u>	<u>(2,941)</u>	<u>(4,114)</u>	<u>(7,457)</u>
	As at 31 December			As at 31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Accumulated balances of non-controlling interests at the reporting dates:				
MGRL .....	<u>23,198</u>	<u>47,642</u>	<u>43,528</u>	<u>36,071</u>



The following tables illustrate the summarized financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	MGRL			As at
	As at 31 December			31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Current assets . . . . .	108,168	185,334	167,892	152,707
Non-current assets . . . . .	35,338	56,127	71,266	73,497
Current liabilities . . . . .	<u>(66,179)</u>	<u>(82,655)</u>	<u>(94,064)</u>	<u>(105,966)</u>
				Ten months
				ended
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue . . . . .	135,853	222,535	306,246	248,975
Total expenses . . . . .	(149,362)	(232,338)	(319,958)	(273,833)
Loss for the year/period . . . . .	(13,509)	(9,803)	(13,712)	(24,858)
Total comprehensive loss for the year/period . .	<u>(13,509)</u>	<u>(9,803)</u>	<u>(13,712)</u>	<u>(24,858)</u>
Net cash flows (used in)/from operating activities . . . . .	(10,507)	(42,831)	15,135	8,207
Net cash flows used in investing activities . . . .	(24,235)	(23,817)	(49,624)	(24,803)
Net cash flows from financing activities . . . . .	<u>38,776</u>	<u>91,222</u>	<u>—</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents . . . . .	<u>4,034</u>	<u>24,574</u>	<u>(34,489)</u>	<u>(16,596)</u>

## 21. INVENTORIES

## Group

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Raw materials . . . . .	4,878	1,044	940	—
Work in progress . . . . .	3,472	—	—	—
Finished goods . . . . .	674,998	778,147	830,746	913,912
	<u>683,348</u>	<u>779,191</u>	<u>831,686</u>	<u>913,912</u>

## 22. TRADE AND NOTES RECEIVABLES

## Group

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade receivables . . . . .	128,822	143,452	170,899	338,236
Notes receivable . . . . .	11,042	3,820	6,731	425
	139,864	147,272	177,630	338,661
Impairment of the trade receivables . . . . .	(83)	(78)	(562)	(923)
	<u>139,781</u>	<u>147,194</u>	<u>177,068</u>	<u>337,738</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally seven to sixty days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

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

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within 3 months . . . . .	120,854	133,570	155,483	323,512
3 to 6 months . . . . .	2,572	6,157	8,595	7,719
6 months to 1 year . . . . .	5,144	3,442	5,046	5,157
Over 1 year . . . . .	169	205	1,213	925
	<u>128,739</u>	<u>143,374</u>	<u>170,337</u>	<u>337,313</u>

### Group

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

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Balance at beginning of year/period . . . . .	601	83	78	562
Impairment for the year/period . . . . .	—	—	484	361
Impairment provision written off for the year/period . . . . .	<u>(518)</u>	<u>(5)</u>	<u>—</u>	<u>—</u>
Balance at end of year/period . . . . .	<u>83</u>	<u>78</u>	<u>562</u>	<u>923</u>

There were no individually impaired trade receivables as at the end of each of the Relevant Periods.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at
	2012	2013	2014	31 October
	(RMB'000)	(RMB'000)	(RMB'000)	2015
Neither past due nor impaired . . . . .	109,558	127,219	149,779	293,093
Less than 1 month past due . . . . .	11,275	6,066	6,892	22,099
1 to 3 months past due. . . . .	2,360	5,538	8,506	12,067
3 months to 1 year past due. . . . .	5,422	4,353	4,172	9,764
Over 1 year past due . . . . .	124	198	988	290
	<u>128,739</u>	<u>143,374</u>	<u>170,337</u>	<u>337,313</u>

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

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

### 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

#### Group

	As at 31 December			As at
	2012	2013	2014	31 October
	(RMB'000)	(RMB'000)	(RMB'000)	2015
Prepayments . . . . .	22,033	40,479	34,647	45,098
Deposits and other receivables . . . . .	41,667	131,412	140,683	135,027
	<u>63,700</u>	<u>171,891</u>	<u>175,330</u>	<u>180,125</u>

## Company

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Deposits and other receivables . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,968</u>

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

## 24. OTHER CURRENT FINANCIAL ASSETS

## Group

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Wealth investment products . . . . .	<u>—</u>	<u>—</u>	<u>108,000</u>	<u>2,500</u>

The wealth investment products have coupon rates ranging from 3.6% to 3.8% per annum.

## 25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

## Group

	Note	As at 31 December			As at
					31 October
		2012	2013	2014	2015
		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Cash and bank balances . . . . .		108,966	211,366	76,362	166,490
Time deposits . . . . .		<u>—</u>	<u>5,000</u>	<u>41,100</u>	<u>18,000</u>
		108,966	216,366	117,462	184,490
Less: Pledged deposits for bank					
loans . . . . .	28	<u>—</u>	<u>5,000</u>	<u>11,100</u>	<u>18,000</u>
Cash and cash equivalents . . . . .		<u>108,966</u>	<u>211,366</u>	<u>106,362</u>	<u>166,490</u>

Note	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Denominated in:				
RMB . . . . .	90,726	167,607	99,185	137,463
United States Dollar ("US\$") . . . . .	17,967	43,499	7,019	28,787
Hong Kong Dollar ("HK\$") . . . . .	273	260	158	240
Cash and cash equivalents . . . . .	<u>108,966</u>	<u>211,366</u>	<u>106,362</u>	<u>166,490</u>

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

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

## 26. TRADE PAYABLES

### Group

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within 3 months . . . . .	237,702	259,418	368,900	439,521
3 to 12 months . . . . .	13,972	52,015	9,957	10,329
1 to 2 years . . . . .	5,428	1,858	282	476
2 to 3 years . . . . .	1,932	297	438	632
Over 3 years . . . . .	955	734	994	428
	<u>259,989</u>	<u>314,322</u>	<u>380,571</u>	<u>451,386</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 120 days.

## 27. OTHER PAYABLES AND ACCRUALS

## Group

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Other payables . . . . .	67,395	94,029	96,593	92,278
Accruals . . . . .	46,665	33,623	39,866	64,949
Advances from customers . . . . .	25,682	31,836	42,226	48,280
Payroll and welfare payables . . . . .	26,770	27,503	26,732	34,880
Other tax payables . . . . .	2,214	24,394	3,789	1,426
Deferred income . . . . .	—	—	3,840	3,840
	<u>168,726</u>	<u>211,385</u>	<u>213,046</u>	<u>245,653</u>

## Company

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Other payables and accruals . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,195</u>

Other payables are non-interest-bearing and repayable on demand.







**29. DEFERRED INCOME****Group**

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At the beginning of year/period . . . . .	—	—	—	8,000
Additions during the year/period . . . . .	—	—	8,000	—
Released to profit or loss . . . . .	—	—	—	(3,200)
At end of year/period . . . . .	—	—	8,000	4,800
Less: current portion included in other payables and accruals (note 27) . . . . .	—	—	3,840	3,840
Non-current portion . . . . .	—	—	4,160	960

Deferred income represents the government grants received for a subsidiary in connection with certain leasehold improvements. These grants are released to profit or loss over the expected useful lives of the relevant assets.

**30. DEFERRED TAX**

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

**Deferred tax liabilities****Group**

	Fair value adjustments arising from business combination
	(RMB'000)
As at 1 January 2012 . . . . .	110
Deferred tax credited to profit or loss during the year . . . . .	(12)
As at 31 December 2012 and 1 January 2013 . . . . .	98
Deferred tax credited to profit or loss during the year . . . . .	(12)
As at 31 December 2013 and 1 January 2014 . . . . .	86
Deferred tax credited to profit or loss during the year . . . . .	(13)
As at 31 December 2014 and 1 January 2015 . . . . .	73
Deferred tax credited to profit or loss during the period . . . . .	(10)
As at 31 October 2015 . . . . .	63

## Deferred tax assets

## Group

	Impairment of receivables	Impairment of inventories	Accruals	Losses available for offsetting against future taxable profits	Depreciation	Unrealized profits from intra-group transactions	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
As at 1 January 2012 . . . . .	94	1,293	1,909	—	438	—	3,734
Deferred tax credited to profit or loss during the year . . . . .	<u>506</u>	<u>2,865</u>	<u>5,709</u>	<u>33,729</u>	<u>681</u>	<u>6,004</u>	<u>49,494</u>
As at 31 December 2012 and 1 January 2013 . . . . .	<u>600</u>	<u>4,158</u>	<u>7,618</u>	<u>33,729</u>	<u>1,119</u>	<u>6,004</u>	<u>53,228</u>
Deferred tax credited/(charged) to profit or loss during the year . . . . .	<u>(64)</u>	<u>(74)</u>	<u>126</u>	<u>(13,089)</u>	<u>(1,119)</u>	<u>(117)</u>	<u>(14,337)</u>
As at 31 December 2013 and 1 January 2014 . . . . .	<u>536</u>	<u>4,084</u>	<u>7,744</u>	<u>20,640</u>	<u>—</u>	<u>5,887</u>	<u>38,891</u>
Deferred tax credited/(charged) to profit or loss during the year . . . . .	<u>121</u>	<u>2,956</u>	<u>370</u>	<u>(18,259)</u>	<u>—</u>	<u>(518)</u>	<u>(15,330)</u>
As at 31 December 2014 and 1 January 2015 . . . . .	<u>657</u>	<u>7,040</u>	<u>8,114</u>	<u>2,381</u>	<u>—</u>	<u>5,369</u>	<u>23,561</u>
Deferred tax credited/(charged) to profit or loss during the period . . . . .	<u>(426)</u>	<u>(1,068)</u>	<u>(4,166)</u>	<u>(2,381)</u>	<u>—</u>	<u>(3,975)</u>	<u>(12,016)</u>
As at 31 October 2015 . . . . .	<u>231</u>	<u>5,972</u>	<u>3,948</u>	<u>—</u>	<u>—</u>	<u>1,394</u>	<u>11,545</u>

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

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Tax losses . . . . .	59,344	77,180	89,176	88,966
Deductible temporary differences . . . . .	20,589	12,651	11,434	14,321
	<u>79,933</u>	<u>89,831</u>	<u>100,610</u>	<u>103,287</u>

The above tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilized.

Pursuant to the Corporate Income Tax Law of the People's Republic of China, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At the end of each of the Relevant Periods, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, based on the Group's future expansion plan in Mainland China at the end of each of the Relevant Periods, it is not probable that the subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totalled approximately RMB23,472,000, RMB29,106,000, RMB42,112,000 and RMB166,484,000 as at 31 December 2012, 2013 and 2014 and 31 October 2015, respectively.

## 31. SHARE CAPITAL

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Registered, issued and fully paid:				
Ordinary shares of HK\$0.0000001 each . . . .	—	—	—	—

Movements of the share capital of the Company are as follows:

	Year ended 31 December						Ten months ended	
	2012		2013		2014		31 October	
	2012	2013	2014	2015	2015	2015	2015	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
At the beginning of the year/ period . . . . .	—	—	1	0.0000001	1,000,000,000	100.00	1,000,000,000	100.00
Issued and fully paid . . . . .	1	0.0000001	999,999,999	99.9999999	—	—	—	—
At the end of the year/ period . . . . .	1	0.0000001	1,000,000,000	100.00	1,000,000,000	100.00	1,000,000,000	100.00

- (i) On the date of incorporation, one share of the Company was issued and fully paid at par value of HK\$0.0000001.
- (ii) On 31 December 2013, 9,999 new shares of the Company were issued and fully paid at par value of HK\$0.0000001.
- (iii) On 31 December 2013, another 999,990,000 new shares of par value of HK\$0.0000001 were issued and fully paid at the price of HK\$0.4 per share. Upon the completion of the said issuance of 999,990,000 shares, the Company was released from the liability in relation to the amounts due to the shareholders of HK\$399,996,000 (equivalent to RMB314,477,000).

The excess of the amounts due to the shareholders over the par value of the issued share capital of RMB314,477,000 was recognized directly in the share premium account.

**32. SHARE OPTION SCHEME****Pre-IPO Share Option Scheme**

The Company operates a Pre-IPO Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Pre-IPO Share Option Scheme include:

- (a) Any full-time or part-time employees, executives, or officers of the Company or any of its subsidiaries;
- (b) Any directors of the Company or any of its subsidiaries;
- (c) Any advisors, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

The maximum number of shares which may be issued upon exercise of all options to be granted under this scheme must not in aggregate exceed 50,000,000 shares, representing 5% of the shares in issue immediately upon completion of the Global Offering (assuming that the over-allotment option is not exercised) but excluding any shares which may fall to be issued upon the exercise of the options granted or to be granted under this scheme, the other share option schemes and shares that may fall to be issued upon the exercise of the over-allotment option.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK\$1 in total by the grantee.

The Group maintains a number of share option arrangements. These are as follows:

(i) **CAGB share option arrangement**

These are the options which belong to Pre-IPO Share Scheme and were granted by the Company to the employees of the Group on various dates in 2015 to purchase from the Company certain number of new shares of the Company. Such share options do not confer rights on the holders to dividends or to vote at the Company's shareholders' meeting.

The following share options under CAGB share option arrangement were outstanding during the Relevant Periods:

	Weighted average exercise price RMB per share	Number of options
At 31 December 2014 and 1 January 2015 . . . . .	—	—
Granted during the period . . . . .	2.99	<u>13,150,000</u>
At 31 October 2015 . . . . .	2.99	<u><u>13,150,000</u></u>

The exercise prices and exercise periods of the share options outstanding as at 31 October 2015 are as follows:

Number of options '000	Exercise price per share (RMB)	Exercise period
1,966	3.48	note b
1,966	3.48	note c
1,966	3.48	note d
1,966	3.48	note e
1,966	3.48	note f
1,970	3.48	note g
225	0.0000001	note a
225	0.0000001	note c
225	0.0000001	note d
225	0.0000001	note e
225	0.0000001	note f
225	0.0000001	note g
<u>13,150</u>		

- note a: from the date of the listing of the share capital of the Company pursuant to an initial public offering (“IPO”) (the “Listing Date”) to tenth anniversary of the grant date.
- note b: from the date immediately after six months of the Listing Date to tenth anniversary of the grant date.
- note c: from first anniversary of the Listing Date to tenth anniversary of the grant date.
- note d: from second anniversary of the Listing Date to tenth anniversary of the grant date.
- note e: from third anniversary of the Listing Date to tenth anniversary of the grant date.
- note f: from fourth anniversary of the Listing Date to tenth anniversary of the grant date.
- note g: from fifth anniversary of the Listing Date to tenth anniversary of the grant date.

The fair values of equity-settled share options granted were estimated as at the date of grant using a binomial model. The following table lists the inputs to the model used:

Dividend yield (%) . . . . .	—
Expected volatility (%) . . . . .	45.62-46.01
Risk-free interest rate (%) . . . . .	1.36-1.53
Contractual life of options (year) . . . . .	10
Expected exercise multiple . . . . .	3

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

At 31 October 2015, the Company had 13,150,000 share options outstanding under the CAGB share option arrangement. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,150,000 additional ordinary shares of the Company and additional share capital (including share premium) of RMB41,064,000 (before issue expenses).

**(ii) CAEL share option arrangement**

These are the options granted by Cayey Enterprises Limited (“CAEL”), one of the shareholders of the Company, to the employees of the Group on various dates in 2012 and 2013 to purchase from CAEL certain number of shares in the share capital of the Company directly owned by CAEL. Hence, the Company had no outstanding share options under CAEL share option arrangement as at the end of each of the Relevant Periods.



The fair values of the share options granted (calculated by reference to the maximum number of options to vest pursuant to the performance criteria) under CAEL share option arrangement for the years ended 31 December 2012 and 2013 were RMB8,391,000 and RMB5,226,000, respectively.

The fair values of equity-settled share options granted were estimated as at the dates of grant using a binomial model. The following table lists the inputs to the model used:

	<u>2012</u>	<u>2013</u>
Dividend yield (%) . . . . .	—	—
Expected volatility (%) . . . . .	45.26	45.08-45.43
Risk-free interest rate (%) . . . . .	0.74	0.86-2.29
Contractual life of options (year) . . . . .	10	10
Expected exercise multiple . . . . .	3	3

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

### (iii) GCHL share option arrangement

These are the options granted by GCHL, a company within the Group, to the employees of the Group on various dates in 2011 and 2012 to purchase from GCHL certain number of new shares of GCHL. Hence, the Company had no outstanding share options under GCHL share option arrangement as at the end of each of the Relevant Periods.

The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model. The following table lists the inputs to the model used:

	<u>2012</u>
Dividend yield (%) . . . . .	—
Expected volatility (%) . . . . .	45.62
Risk-free interest rate (%) . . . . .	0.73
Contractual life of options (year) . . . . .	10
Expected exercise multiple . . . . .	3

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

The aforesaid share options granted under GCHL share option arrangement for the years ended 31 December 2011 and 2012 were forfeited in the years ended 31 December 2012 and 2014, respectively.

### 33. RESERVES

#### Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Financial Information.

#### *Capital reserve*

The capital reserve mainly comprises the following:

- (a) On 6 December 2010, the Group acquired a baby soothing toys business from a third party for a total purchase consideration of RMB20,000,000, of which RMB19,000,000 was paid by G-baby Holdings Limited ("GBHL"), the then holding company of the companies comprising the Group before the Reorganization, to the seller as deemed contribution to the Group. The amount of RMB19,000,000 was recognized directly in the capital reserve account.
- (b) As detailed in the note 32 above, in 2012 and 2013, CAEL granted to the employees of the Group an option to purchase from CAEL certain number of shares in the share capital of the Company to be directly owned by CAEL. The share options to be settled by CAEL is a deemed contribution to the Group and hence, the related share option expenses were recognized directly in the capital reserve account.
- (c) Prior to 31 December 2013, the Group effectively held 100% equity interests in CRF Holdings Limited ("CRFH") and Etechnology Holdings Limited ("ETHL"). On 31 December 2013 and as part of the Reorganization, the Group disposed of its entire shareholding in CRFH and ETHL to its then shareholder, GBHL, for an aggregate consideration of approximately HK\$19,143,000 (equivalent to approximately RMB15,050,000) (note 34). The excess of the net asset value of CRFH and ETHL over the consideration paid amounting to approximately RMB43,679,000 was recognized directly in the capital reserve account.

#### *Statutory and other surplus reserve*

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserve until the reserve reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital.

Other surplus reserve was appropriated from net profit in accordance with a prescribed percentage approved in a general meeting of the shareholders. Other surplus reserve may be used to offset accumulated losses or increase capital. Where an enterprise satisfies the stipulated conditions, other surplus reserve can also be used to distribute cash dividends.

### *Share option reserve*

The share option reserve comprises the fair value share options granted by the companies within the Group which are yet to be exercised, as further explained in the accounting policy for share-based payments.

### *Company*

	<u>Share premium</u>	<u>Capital reserve</u>	<u>Merger reserve</u>	<u>Accumulated losses</u>	<u>Share option reserve</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012, 31 December 2012 and 1 January 2013 . . . . .	—	—	—	—	—	—
Loss and total comprehensive loss for the year . . . . .	—	—	—	(13)	—	(13)
Acquisition of subsidiaries pursuant to Reorganization . . .	—	—	212,791	—	—	212,791
Issue of shares . . . . .	<u>314,477</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>314,477</u>
At 31 December 2013 and 1 January 2014 . . . . .	314,477	—	212,791	(13)	—	527,255
Loss and total comprehensive loss for the year . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>(33)</u>	<u>—</u>	<u>(33)</u>
At 31 December 2014 and 1 January 2015 . . . . .	314,477	—	212,791	(46)	—	527,222
Loss and total comprehensive loss for the period . . . . .	—	—	—	(12,647)	—	(12,647)
Capital contribution in respect of employee share-based compensation . . . . .	—	984	—	—	—	984
Equity-settled share option arrangements . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>122</u>	<u>122</u>
At 31 October 2015 . . . . .	<u><u>314,477</u></u>	<u><u>984</u></u>	<u><u>212,791</u></u>	<u><u>(12,693)</u></u>	<u><u>122</u></u>	<u><u>515,681</u></u>

The Company's merger reserve represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganization, over the previous nominal value of the Company's shares issued in exchange therefor.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

### 34. DISPOSAL OF SUBSIDIARIES

On 31 December 2013, the Group disposed of its then subsidiaries, CRFH, ETHL and their subsidiary Kunshan Goodbaby Retailing Technology Co., Ltd (“GRTC”), to GBHL, the holding company of the companies comprising the Group before the Reorganization for an aggregate consideration of HK\$19,143,000 (equivalent to RMB15,050,000).

	<u>2013</u>
	<u>RMB'000</u>
Net assets disposed of:	
Cash and cash equivalents . . . . .	8
Prepayments, deposits and other receivables . . . . .	3,483
Amounts due from related parties . . . . .	77,807
Other payables and accruals . . . . .	(6)
Amounts due to related parties . . . . .	<u>(22,563)</u>
	58,729
Loss on disposal of subsidiaries recognized in capital reserve . . . . .	<u>(43,679)</u>
	<u>15,050</u>
Satisfied by:	
Amounts due from a related party . . . . .	<u>15,050</u>
An analysis of the outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:	
Cash and bank balances disposed of . . . . .	<u>(8)</u>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries . . .	<u>(8)</u>

### 35. BUSINESS COMBINATION

On 14 August 2014, GCQD acquired 66.7% equity interests in QMCP. QMCP is mainly engaged in the wholesale and retail of children's products. The purchase consideration for the acquisition was in the form of cash, with RMB1,000,000 paid at the acquisition date.

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

	<b>Fair value recognized on acquisition</b>
	<b>(RMB'000)</b>
Cash and bank balances . . . . .	1,253
Property, plant and equipment (note 15). . . . .	26
Trade and notes receivables . . . . .	317
Prepayments, deposits and other receivables . . . . .	1,995
Trade payables . . . . .	(1,179)
Other payables and accruals . . . . .	(913)
Total identifiable net assets at fair value . . . . .	1,499
Non-controlling interests . . . . .	(500)
	999
Goodwill on acquisition (note 18) . . . . .	1
Satisfied by cash . . . . .	<u>1,000</u>

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB317,000 and RMB1,995,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB317,000 and RMB1,995,000, respectively.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<b>RMB'000</b>
Cash consideration . . . . .	(1,000)
Cash and bank balances acquired . . . . .	<u>1,253</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities . . . . .	<u>253</u>

Since the acquisition, QMCP contributed RMB24,979,000 to the Group's turnover and RMB43,000 to the Group's profit for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year ended 31 December 2014, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2014 would have been RMB3,084,871,000 and RMB41,793,000, respectively.

## 36 OPERATING LEASE COMMITMENTS

## Group as lessor

The Group leased its investment properties under operating lease arrangement. The Group has total future minimum lease receivables under non-cancellable operating lease are as follows:

	As at 31 December			As at 31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within one year . . . . .	2,242	—	—	—
After one year but not more than five years. . .	1,304	—	—	—
	<u>3,546</u>	<u>—</u>	<u>—</u>	<u>—</u>

## Group as lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years, and those for office equipment are for terms within one year.

As at the end of each of the Relevant Periods, the Group had future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within one year . . . . .	62,110	92,406	94,910	90,674
After one year but not more than five years. . .	166,825	261,178	233,736	184,389
More than five years . . . . .	12,442	30,833	25,964	25,725
	<u>241,377</u>	<u>384,417</u>	<u>354,610</u>	<u>300,788</u>

**37. COMMITMENTS**

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments as at the end of each of the Relevant Periods:

**Group**

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Contracted but not provided for:				
Property, plant and equipment. . . . .	<u>2,417</u>	<u>2,961</u>	<u>2,514</u>	<u>1,933</u>

In addition, the Group has a commitment to pay rent with reference to turnover for certain retail stores. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

**38. RELATED PARTY TRANSACTIONS AND BALANCES**

The directors of the Company are of the view that the following parties/companies are related parties that had transactions or balances with the Group during the Relevant Periods and the ten months ended 31 October 2014.

(a) *Name and relationship*

Name of related parties	Relationship with the Group and the Company
Mr. Song Zhenghuan (“Mr. Song”)	Director of the Company and one of the ultimate Controlling Shareholders of the Company
Ms. Fu Jingqiu (“Ms. Fu”)	Director of the Company and one of the ultimate Controlling Shareholders of the Company
Pacific United Developments Limited (“PUD”)	A holding company of the Group
Sure Growth Investments Limited (“SGIL”)	Controlled by Mr. Song and Ms. Fu
CRF Enterprise Limited (“CRF”)	A holding company of the Group prior to 30 January 2013
GGCL	Controlled by Mr. Song and Ms. Fu
CRF Portfolio Limited (“CRFP”)	A holding company of the Group from 30 January 2013 to 10 December 2013
GBHL	Controlled by Mr. Song and Ms. Fu
CRFH	A subsidiary of the Group prior to 31 December 2013 and controlled by GBHL after 31 December 2013
ETHL	A subsidiary of the Group prior to 31 December 2013 and controlled by GBHL after 31 December 2013
Goodbaby Children Products Co., Ltd. (“GCPC”)	Significantly influenced by Mr. Song and Ms. Fu
Goodbaby Bairuikang Hygienic Products Co., Ltd. (“BRKH”)	Significantly influenced by Mr. Song and Ms. Fu
GRTC	A subsidiary of the Group prior to 31 December 2013 and controlled by GBHL after 31 December 2013
CRF Investment Holdings Limited (“CRFI”)	A holding company of CRF
Evenflo Hong Kong Limited (formerly known as “MMGB Holdings Limited”) (“GPHL”)	Controlled by GBHL prior to 23 December 2014
Mothercare UK Limited (“Mothercare UK”)	A holding company of a subsidiary
Anhui Guoguo Children Products Sales Co., Ltd. (“Anhui Co”)	A holding company of a subsidiary after 27 January 2014
Henan Shangqiu Zhuoran Children Products Co., Ltd. (“Shangqiu Co”)	A holding company of a subsidiary after 26 March 2014
Mr. Zhang Benjin (“Mr. Zhang”)	A shareholder of a subsidiary after 20 May 2014
GCHL	A subsidiary
PREF	A subsidiary
MGCR	A subsidiary
RCBL	A subsidiary
GCCL	A subsidiary



(b) *Related party transactions*

In addition to the transactions and balances disclosed elsewhere in this Financial Information, the Group had the following material transactions with related parties during the Relevant Periods and the ten months ended 31 October 2014:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Sales of goods to a related party (Note (a))					
GCPC.....	—	495	139	136	139
Purchase of goods from related parties (Note (b))					
BRKH .....	4,134	2,119	—	—	—
GCPC.....	363,608	465,960	644,129	494,175	569,135
Mothercare UK.....	48,138	50,693	86,984	42,263	60,574
Anhui Co.....	—	—	7,936	4,531	—
Shangqiu Co.....	—	—	2,134	—	—
	<u>415,880</u>	<u>518,772</u>	<u>741,183</u>	<u>540,969</u>	<u>629,709</u>
Royalty fee paid to a related party (Note (c))					
Mothercare UK.....	<u>6,771</u>	<u>10,306</u>	<u>13,719</u>	<u>12,019</u>	<u>12,076</u>
Expenses paid on behalf of related parties (Note (d))					
BRKH .....	60	31	35	12	—
GGCL.....	—	—	—	—	5,867
	<u>60</u>	<u>31</u>	<u>35</u>	<u>12</u>	<u>5,867</u>
Expenses paid by related parties (Note (d))					
CRFI .....	21	—	—	—	—
GCPC.....	<u>836</u>	<u>987</u>	<u>869</u>	<u>426</u>	<u>373</u>
	<u>857</u>	<u>987</u>	<u>869</u>	<u>426</u>	<u>373</u>

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Disposal of property, plant and equipment, investment properties and prepaid land lease payments to a related party (Note (e))					
GGCL . . . . .	—	29,596	—	—	—
Advances to related parties (Note (f))					
GBHL . . . . .	—	—	5,309	—	—
PUD . . . . .	8,835	—	—	—	—
SGIL . . . . .	4,102	—	—	—	—
GGCL . . . . .	—	1,755	18,583	—	53,583
Ms. Fu . . . . .	451	277	331	439	292
CRFP . . . . .	—	48,775	—	—	—
	<u>13,388</u>	<u>50,807</u>	<u>24,223</u>	<u>439</u>	<u>53,875</u>
Advances from related parties (Note (f))					
GGCL . . . . .	5,111	—	—	—	—
GBHL . . . . .	—	—	—	—	4,590
Mr. Zhang . . . . .	—	—	—	—	5,460
Shangqiu Co. . . . .	—	—	2,497	—	—
	<u>5,111</u>	<u>—</u>	<u>2,497</u>	<u>—</u>	<u>10,050</u>

Note (a): The sales of goods to the related party were made according to the prices and terms mutually agreed with the related party.

Note (b): The purchases of goods were made according to the prices and terms mutually agreed with the related parties.

Note (c): The royalty fee was made according to the prices and terms mutually agreed with the related party.

Note (d): The expenses paid on behalf of/by the related parties are unsecured, interest-free and repayable on demand.

Note (e): The disposal of property, plant and equipment, investment properties and prepaid land lease payments to a related party were made according to the prices and terms mutually agreed with the related party.

Note (f): The advances are unsecured and interest-free.

(c) *Outstanding balances with related parties***Group**

The Group had the following balances with related parties:

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Amounts due from related parties				
GBHL .....	1,849	—	5,309	—
Ms. Fu .....	1,211	1,488	1,819	—
BRKH .....	939	31	66	—
GGCL .....	785	—	—	—
CRF .....	2	—	—	—
Shangqiu Co .....	—	—	—	127
	<u>4,786</u>	<u>1,519</u>	<u>7,194</u>	<u>127</u>
Amounts due to related parties				
BRKH .....	3,562	103	103	—
GGCL .....	—	42,668	24,086	—
GCPC .....	108,232	185,321	299,113	223,379
GBHL .....	476,563	20,849	—	3,400
Mothercare UK .....	29,390	50,939	21,707	18,359
GPHL .....	13	—	—	—
GRTC .....	—	5,000	5,000	—
Anhui Co .....	—	—	4,937	4,440
Shangqiu Co .....	—	—	3,051	—
Mr.Zhang .....	—	—	—	3,840
	<u>617,760</u>	<u>304,880</u>	<u>357,997</u>	<u>253,418</u>

The amounts due from/to related parties are unsecured, interest-free and repayable on demand except for the amounts due to GCPC and Mothercare UK which are settled on terms of 120 days and 90 days, respectively.

## Company

The Company had the following balances with related parties:

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Amounts due from subsidiaries				
GCHL .....	—	240,713	165,732	233,858
RCBL .....	—	143,306	143,313	143,313
MGCR .....	—	68	77	77
	—	384,087	309,122	377,248
Amounts due from a related party				
GBHL .....	—	—	5,309	—
Amounts due to subsidiaries				
PREF .....	—	—	—	35
GCCL .....	—	—	—	4,342
GCHL .....	—	48,774	—	—
	—	48,774	—	4,377
Amounts due to a related party				
GBHL .....	—	20,849	—	3,400

The amounts due from/to related parties are unsecured, interest-free and repayable on demand.

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

	Year ended 31 December			Ten months ended	
				31 October	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Short term employee benefits . . . .	13,011	13,904	14,244	11,902	12,155
Contributions to retirement benefit scheme . . . . .	18	19	20	16	63
Equity-settled share option expense . . . . .	25	131	(66)	(72)	237
Total compensation paid to key management personnel . . . . .	13,054	14,054	14,198	11,846	12,455

Further details of directors' and the chief executive's emoluments are included in note 9 to the Financial Information.

### 39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods were as follows:

#### Group

*As at 31 December 2012*

#### *Financial assets*

	<b>Loans and receivables</b>
	<u>(RMB'000)</u>
Trade and notes receivables . . . . .	139,781
Financial assets included in prepayments, deposits and other receivables (note 23) . . . . .	41,667
Amounts due from related parties . . . . .	4,786
Cash and cash equivalents . . . . .	<u>108,966</u>
	<u>295,200</u>

#### *Financial liabilities*

	<b>Financial liabilities at amortized cost</b>
	<u>(RMB'000)</u>
Financial liabilities included in other payables and accruals (note 27) . . . . .	67,395
Trade payables . . . . .	259,989
Interest-bearing bank borrowings . . . . .	254,600
Amounts due to related parties . . . . .	<u>617,760</u>
	<u>1,199,744</u>

As at 31 December 2013

*Financial assets*

	<b>Loans and receivables</b>
	<b>(RMB'000)</b>
Trade and notes receivables . . . . .	147,194
Financial assets included in prepayments, deposits and other receivables (note 23) . . . . .	131,412
Amounts due from related parties . . . . .	1,519
Pledged deposits . . . . .	5,000
Cash and cash equivalents . . . . .	<u>211,366</u>
	<u>496,491</u>

*Financial liabilities*

	<b>Financial liabilities at amortized cost</b>
	<b>(RMB'000)</b>
Financial liabilities included in other payables and accruals (note 27) . . . . .	94,029
Trade payables . . . . .	314,322
Interest-bearing bank borrowings . . . . .	484,216
Amounts due to related parties . . . . .	<u>304,880</u>
	<u>1,197,447</u>

As at 31 December 2014

*Financial assets*

	<u>Loans and receivables</u>	<u>Available- for-sale financial assets</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)
Trade and notes receivables . . . . .	177,068	—	177,068
Financial assets included in prepayments, deposits and other receivables (note 23) . . . . .	140,683	—	140,683
Amounts due from related parties . . . . .	7,194	—	7,194
Other current financial assets . . . . .	17,000	91,000	108,000
Cash and cash equivalents . . . . .	106,362	—	106,362
Pledged deposits . . . . .	<u>11,100</u>	<u>—</u>	<u>11,100</u>
	<u>459,407</u>	<u>91,000</u>	<u>550,407</u>

*Financial liabilities*

	<u>Financial liabilities at amortized cost</u>
	(RMB'000)
Financial liabilities included in other payables and accruals (note 27) . . . . .	96,593
Trade payables . . . . .	380,571
Interest-bearing bank borrowings . . . . .	389,204
Amounts due to related parties . . . . .	<u>357,997</u>
	<u>1,224,365</u>

As at 31 October 2015

*Financial assets*

	<b>Loans and receivables</b>
	<b>(RMB'000)</b>
Trade and notes receivables . . . . .	337,738
Financial assets included in prepayments, deposits and other receivables (note 23) . . . . .	135,027
Amounts due from related parties . . . . .	127
Other current financial assets . . . . .	2,500
Pledged deposits . . . . .	18,000
Cash and cash equivalents . . . . .	<u>166,490</u>
	<u>659,882</u>

*Financial liabilities*

	<b>Financial liabilities at amortized cost</b>
	<b>(RMB'000)</b>
Financial liabilities included in other payables and accruals (note 27) . . . . .	92,278
Trade payables . . . . .	451,386
Interest-bearing bank borrowings . . . . .	468,198
Amounts due to related parties . . . . .	<u>253,418</u>
	<u>1,265,280</u>

**Company**

As at 31 December 2013

*Financial assets*

	<b>Loans and receivables</b>
	<b>(RMB'000)</b>
Amounts due from subsidiaries . . . . .	<u>384,087</u>



*Financial liabilities*

	<b>Financial liabilities at amortized cost</b>
	<b>(RMB'000)</b>
Amounts due to related parties . . . . .	20,849
Amounts due from subsidiaries . . . . .	48,774
	<u>69,623</u>

**As at 31 December 2014***Financial assets*

	<b>Loans and receivables</b>
	<b>(RMB'000)</b>
Amounts due from subsidiaries . . . . .	309,122
Amounts due from related parties . . . . .	5,309
	<u>314,431</u>

**As at 31 October 2015***Financial assets*

	<b>Loans and receivables</b>
	<b>(RMB'000)</b>
Amounts due from subsidiaries . . . . .	377,248
Financial assets included in prepayments, deposits and other receivables (note 23) . . . . .	3,968
	<u>381,216</u>

*Financial liabilities*

	<b>Financial liabilities at amortized cost</b>
	<b>(RMB'000)</b>
Interest-bearing bank borrowings . . . . .	63,495
Amounts due to subsidiaries . . . . .	4,377
Amounts due to related parties . . . . .	<u>3,400</u>
	<u>71,272</u>

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

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

**Group**

	<b>Carrying amounts</b>			
	<b>As at 31 December</b>			<b>As at</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>31 October</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>2015</b>
				<b>(RMB'000)</b>
<b>Financial assets</b>				
Available-for-sale investments included in other current financial assets . . . . .	<u>—</u>	<u>—</u>	<u>91,000</u>	<u>—</u>
<b>Financial liabilities</b>				
Interests-bearing bank borrowings, non-current portion . . . . .	<u>49,600</u>	<u>80,000</u>	<u>49,000</u>	<u>120,000</u>

	Fair value			
	As at 31 December			As at
	2012	2013	2014	31 October
	(RMB'000)	(RMB'000)	(RMB'000)	2015 (RMB'000)
<b>Financial assets</b>				
Available-for-sale investments included in				
other current financial assets . . . . .	—	—	91,000	—
<b>Financial liabilities</b>				
Interests-bearing bank borrowings, non-current				
portion . . . . .	49,600	80,000	49,000	120,000

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties, the current portion of interest-bearing bank borrowings and loans and receivables included in other current financial assets approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption were used to estimate the fair value:

The fair values of the non-current portion of interests-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments within similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at the end of each of the Relevant Periods was assessed to be insignificant.

The fair values of available-for-sale investments included in other current financial assets are measured using valuation techniques after incorporating market observable input, the prevailing rate of return of similar products.

**Fair value hierarchy**

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

*Financial assets measured at fair value***Group**

		Fair value measurement using		
		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	31 December 2014	Level 1	Level 2	Level 3
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Available-for-sale investments included in other current financial assets . . . . .	91,000	—	91,000	—

*Financial liabilities for which fair values are disclosed***Group**

		Fair value measurement using		
		Quoted prices in active markets inputs	Significant observable inputs	Significant unobservable
	31 December 2012	Level 1	Level 2	Level 3
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Interest-bearing bank borrowings . . . . .	49,600	—	—	49,600

		Fair value measurement using		
		Quoted prices in active markets inputs	Significant observable inputs	Significant unobservable
	31 December 2013	Level 1	Level 2	Level 3
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Interest-bearing bank borrowings . . . . .	80,000	—	—	80,000

	Fair value measurement using			
	31 December 2014	Quoted prices in	Significant	Significant
		active markets	observable inputs	unobservable
		inputs	Level 2	Level 3
(RMB'000)	Level 1	(RMB'000)	(RMB'000)	
Interest-bearing bank borrowings .....	49,000	—	—	49,000

	Fair value measurement using			
	31 October 2015	Quoted prices in	Significant	Significant
		active markets	observable inputs	unobservable
		inputs	Level 2	Level 3
(RMB'000)	Level 1	(RMB'000)	(RMB'000)	
Interest-bearing bank borrowings .....	120,000	—	—	120,000

#### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank borrowings, other payables, other current financial assets, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, amounts due from related parties, amounts due to related parties and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarized below.

##### Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The interest rate and terms of repayments of borrowings are disclosed in note 28.

The Group has not used any interest swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as follows:

	<u>Increase/decrease in basis points</u>	<u>Increase/(decrease) in profit before tax</u>
		(RMB'000)
Ten months ended 31 October 2015		
RMB .....	+100	(1,985)
RMB .....	-100	1,985
Year ended 31 December 2014		
RMB .....	+100	(1,782)
RMB .....	-100	1,782
Year ended 31 December 2013		
RMB .....	+100	(1,240)
RMB .....	-100	1,240
Year ended 31 December 2012		
RMB .....	+100	(496)
RMB .....	-100	496

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is mainly exposed to the foreign currency risk of US\$. The Group's exposure to foreign currency changes for all other currencies is not material. The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	<u>As at 31 December</u>			<u>As at 31 October</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Profit before tax increase/(decrease)				
- Appreciation of US\$ against RMB by 5% .	(723)	(10,406)	(6,909)	(6,906)
- Depreciation of US\$ against RMB by 5% .	723	10,406	6,909	6,906

**Credit risk**

The Group trades only with recognized and creditworthy third parties and the retail customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Sales to retail customers are made in cash or via major debit and credit cards. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different regions.

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The tables below summarize the maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods based on contractual undiscounted payments.

**Group**

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
<b>31 December 2012</b>					
Interest-bearing bank borrowings . . . . .	—	58,793	156,002	49,661	264,456
Trade payables . . . . .	22,287	237,702	—	—	259,989
Other payables . . . . .	67,395	—	—	—	67,395
Amounts due to related parties . . . . .	480,138	137,622	—	—	617,760
	<u>569,820</u>	<u>434,117</u>	<u>156,002</u>	<u>49,661</u>	<u>1,209,600</u>
<b>31 December 2013</b>					
Interest-bearing bank borrowings . . . . .	—	113,751	301,183	83,063	497,997
Trade payables . . . . .	54,904	259,418	—	—	314,322
Other payables . . . . .	94,029	—	—	—	94,029
Amounts due to related parties . . . . .	68,620	236,260	—	—	304,880
	<u>217,553</u>	<u>609,429</u>	<u>301,183</u>	<u>83,063</u>	<u>1,211,228</u>
<b>31 December 2014</b>					
Interest-bearing bank borrowings . . . . .	—	33,855	315,866	51,900	401,621
Trade payables . . . . .	11,671	368,900	—	—	380,571
Other payables . . . . .	96,593	—	—	—	96,593
Amounts due to related parties . . . . .	37,177	320,820	—	—	357,997
	<u>145,441</u>	<u>723,575</u>	<u>315,866</u>	<u>51,900</u>	<u>1,236,782</u>
<b>31 October 2015</b>					
Interest-bearing bank borrowings . . . . .	—	4,544	381,186	126,399	512,129
Trade payables . . . . .	11,865	439,521	—	—	451,386
Other payables . . . . .	92,278	—	—	—	92,278
Amounts due to related parties . . . . .	14,385	239,033	—	—	253,418
	<u>118,528</u>	<u>683,098</u>	<u>381,186</u>	<u>126,399</u>	<u>1,309,211</u>



**Company**

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
31 December 2013					
Amounts due to subsidiaries . . . .	48,774	—	—	—	48,774
Amounts due to related parties. . .	20,849	—	—	—	20,849
	<u>69,623</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>69,623</u>
31 October 2015					
Interest-bearing bank borrowings .	—	250	64,251	—	64,501
Amounts due to subsidiaries . . . .	4,377	—	—	—	4,377
Amounts due to related parties. . .	3,400	—	—	—	3,400
	<u>7,777</u>	<u>250</u>	<u>64,251</u>	<u>—</u>	<u>72,278</u>

**Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. The Group includes, within net debt, interest-bearing bank borrowings, trade payables, other payables and accruals, amounts due to related parties less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the each of the Relevant Periods were as follows:

	As at 31 December			As at
				31 October
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade payables . . . . .	259,989	314,322	380,571	451,386
Other payables and accruals . . . . .	168,726	211,385	213,046	245,653
Interest-bearing bank borrowings . . . . .	254,600	484,216	389,204	468,198
Amounts due to related parties . . . . .	617,760	304,880	357,997	253,418
Less: Cash and cash equivalents . . . . .	(108,966)	(211,366)	(106,362)	(166,490)
Net debt . . . . .	1,192,109	1,103,437	1,234,456	1,252,165
Equity attributable to owners of the parent . . .	(105,405)	193,166	237,810	347,979
Capital and net debt . . . . .	1,086,704	1,296,603	1,472,266	1,600,144
Gearing ratio . . . . .	110%	85%	84%	78%

#### 42. EVENTS AFTER THE REPORTING PERIODS

In December 2015, the Group borrowed a long-term bank loan with a principal amount of RMB50,000,000 and an interest rate of 4.75% for a term of two years.

#### III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 October 2015.

Yours faithfully,  
**ERNST & YOUNG**  
*Certified Public Accountants*  
 Hong Kong

## APPENDIX IIA      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.*

### (A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as at October 31, 2015 as if the Global Offering had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to owners of the Company as at October 31, 2015 or any subsequent dates, including following the Global Offering.

	<b>Consolidated net tangible assets of our Group attributable to owners of the Company as at October 31, 2015</b>	<b>Estimated net proceeds from the Global Offering</b>	<b>Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of the Company</b>	<b>Unaudited pro forma adjusted net tangible assets per Share</b>	
	<b>RMB ('000)</b>	<b>RMB ('000)</b>	<b>RMB ('000)</b>	<b>RMB</b>	<b>HK\$ equivalent</b>
	(Note 1)	(Note 2)		(Note 3)	(Note 4)
Based on an offer price of HK\$2.68 per Share . . . .	316,758	684,963	1,001,721	0.75	0.89
Based on an offer price of HK\$3.76 per Share . . . .	316,758	976,760	1,293,518	0.97	1.15

*Notes:*

- The consolidated net tangible assets of our Group attributable to owners of the Company as of October 31, 2015 is extracted from "Appendix I—Accountants' Report" to this prospectus, which is based on the audited consolidated equity attributable to owners of the Company as of October 31, 2015 of approximately RMB347,979,000 less intangible assets as of October 31, 2015 of approximately RMB12,508,000 and goodwill as of October 31, 2015 of approximately RMB18,713,000.
- The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$2.68 or HK\$3.76 per Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

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**APPENDIX IIA      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,333,340,000 Shares are in issue assuming the Global Offering has been completed on October 31, 2015 and an Offer Price of HK\$2.68 per Share, being the low end of the Offer Price range, and 1,333,340,000 Shares are in issue assuming that the Global Offering has been completed on October 31, 2015 and an Offer Price of HK\$3.76 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option and Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.84.
5. No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to October 31, 2015.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**



22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

28 January 2016

**To the Directors of Goodbaby China Holdings Limited**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Goodbaby China Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 October 2015 and related notes as set out on pages IIA-1 and IIA-2 of the prospectus dated 28 January 2016 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note in pages IIA-1 and IIA-2 of Appendix IIA to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 October 2015 as if the transaction had taken place at 31 October 2015. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the ten months ended 31 October 2015, on which an accountants’ report has been published.

**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 (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**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 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 the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction 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 transaction, 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 transaction 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.

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**APPENDIX IIA      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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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 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

*The estimated consolidated profit and total comprehensive income of the Company for the year ended 31 December 2015 is set out in the section headed “Financial information — Profit estimate” in this prospectus.*

**A. BASES**

The Directors have prepared the estimate of the consolidated profit and total comprehensive income of the Company for the year ended 31 December 2015 (the “**Profit Estimate**”) on the basis of the audited consolidated results of the Group for the ten months ended 31 October 2015 and the unaudited consolidated results based on the management accounts of the Group for the two months ended 31 December 2015. The Profit Estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of Section II of the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.



**B. LETTER FROM THE REPORTING ACCOUNTANT**

*The following is the text of a letter received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

28 January 2016

The Board of Directors  
Goodbaby China Holdings Limited  
Morgan Stanley Asia Limited

Dear Sirs,

**Goodbaby China Holdings Limited (“the Company”)**

**Profit estimate for year ended 31 December 2015**

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2015 (“**the Profit Estimate**”) set forth in the section headed “Financial Information” in the prospectus of the Company dated 28 January 2016 (“**the Prospectus**”).

**Directors’ responsibilities**

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as “**the Group**”) for the ten months ended 31 October and the unaudited consolidated results based on the management accounts of the Group for the two months ended 31 December 2015.

The Company’s directors are solely responsible for the Profit Estimate.

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountants' responsibilities**

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix IIB of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 28 January 2016, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

**C. LETTER FROM THE SOLE SPONSOR**

*The following is the text of a letter, prepared for inclusion in this prospectus by the Sole Sponsor, in connection with the estimate of the consolidated profit and total comprehensive income of our Company for the year ended 31 December 2015.*

28 January 2016

The Directors  
Goodbaby China Holdings Limited

Dear Sirs,

We refer to the estimate of the consolidated profit and total comprehensive income of Goodbaby China Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2015 (the “**Profit Estimate**”) as set out in the prospectus issued by the Company dated 28 January 2016 (the “**Prospectus**”).

The Profit Estimate, for which you as the directors of the Company (the “**Directors**”) are solely responsible, has been prepared based on the audited consolidated results of the Group for the ten months ended 31 October 2015 and the unaudited consolidated results based on the management accounts of the Group for the two months ended 31 December 2015.

We have discussed with you the bases and assumptions made by the Directors as set out in Appendix IIB to the Prospectus upon which the Profit Estimate has been made. We have also considered the letter dated 28 January 2016 addressed to yourselves and ourselves from Ernst & Young regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of  
**Morgan Stanley Asia Limited**  
**Tommy Hsu**  
*Managing Director*

*This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this prospectus, a copy of the Memorandum and Articles of Association is available for inspection.*

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 30, 2012 under the Cayman Companies Law. The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and the Amended and Restated Articles of Association (the “**Articles**”).

## **1. MEMORANDUM OF ASSOCIATION**

- 1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on January 6, 2016 and will take effect upon Listing. The following is a summary of certain provisions of the Articles:

### **2.1 Shares**

#### *2.1.1 Classes of shares*

The share capital of the Company consists of ordinary shares.

#### *2.1.2 Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than four persons as joint holders of any share.

## 2.2 Directors

### 2.2.1 *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***2.2.2 Power to dispose of the assets of the Company or any subsidiary***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

***2.2.3 Compensation or payments for loss of office***

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

***2.2.4 Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*2.2.5 Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or
- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

#### 2.2.6 *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.



The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

#### *2.2.7 Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the

registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (a) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (b) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (c) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) if he is prohibited from being a director by law;
- (f) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (g) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

- (h) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

#### **2.2.8 *Borrowing powers***

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

#### **2.2.9 *Register of Directors and officers***

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

#### **2.2.10 *Proceedings of the Board***

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**2.3 Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

**2.4 Variation of rights of existing shares or classes of shares**

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**2.5 Alteration of capital**

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorized by its Articles of Association, by special resolution, reduce its share capital in any way.

**2.6 Special resolution - majority required**

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice, specifying the intention to propose the resolution as a special resolution, has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

**2.7 Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, and on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

- 2.7.1 at least two members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

2.7.2 any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

2.7.3 a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

## **2.8 Annual general meetings**

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

## **2.9 Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the Listing Rules, the Company may send summarized financial statements to shareholders who has, in accordance with the Listing Rules, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the Listing Rules, and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

#### **2.10 Notices of meetings and business to be conducted thereat**

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and a general meeting of the Company other than an annual general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman

Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorized by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

2.10.1 in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

2.10.2 in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (g) the granting of any mandate or authority to the Board to repurchase securities in the Company.



**2.11 Transfer of shares**

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

**2.12 Power of the Company to purchase its own shares**

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

**2.13 Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

**2.14 Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- 2.14.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- 2.14.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such check or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

**2.15 Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**2.16 Calls on shares and forfeiture of shares**

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

#### **2.17 Inspection of corporate records**

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

#### **2.18 Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

#### **2.19 Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

## 2.20 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

2.20.1 if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

2.20.2 if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

## 2.21 Untraceable members

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

2.21.1 all checks or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

2.21.2 upon the expiry of the 12 years and 3 months period (being the 3 months' notice period referred to in paragraph 2.21.3 below), the Company has not during that time received any indication of the existence of the member; and

2.21.3 the Company has caused an advertisement to be published in accordance with the Listing Rules giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

## **2.22 Subscription rights reserve**

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

## **3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on July 30, 2012 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### **3.1 Company operations**

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

### **3.2 Share capital**

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the



acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- 3.2.1 paying distributions or dividends to members;
- 3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- 3.2.3 any manner provided in section 37 of the Cayman Companies Law;
- 3.2.4 writing-off the preliminary expenses of the company; and
- 3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

### **3.3 Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.



### 3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorized in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### 3.5 Dividends and distributions

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

### 3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- 3.6.1 an act which is *ultra vires* the company or illegal;
- 3.6.2 an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- 3.6.3 an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**3.7 Disposal of assets**

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, however the directors have certain duties of care, diligence and skill and also fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**3.8 Accounting and auditing requirements**

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**3.9 Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**3.10 Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- 3.10.1 that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- 3.10.2 in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (a) on or in respect of the shares, debentures or other obligations of the Company; or
  - (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 27 October 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

### **3.11 Stamp duty on transfers**

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

### **3.12 Loans to directors**

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

### **3.13 Inspection of corporate records**

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### **3.14 Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

### **3.15 Winding up**

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**3.16 Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**3.17 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**3.18 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarizes certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on July 30, 2012 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 17, 2015. We have established a place of business in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Ms. Leung Suet Lun of 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Companies Law is set out in Appendix III to this prospectus.

**2. Changes in share capital**

As at the date of incorporation, our authorized share capital was HK\$100 divided into 1,000,000,000 Shares of HK\$0.0000001 each. Upon the date of incorporation, one fully paid Share was allotted and issued at par value to an initial subscriber and such Share was subsequently transferred to GBHL on August 13, 2012.

On December 31, 2013, 9,998 Shares, which were all fully paid or credited as fully paid, were allotted and issued at par value to GBHL, as consideration for the acquisition of 1,001 shares of par value of US\$1.00 each in the issued share capital of MJSL.

On December 31, 2013, 1 Share, which was fully paid or credited as fully paid, was allotted and issued at par value to GBHL, as consideration for the acquisition of 3 shares of par value of US\$1.00 each in the share capital of RCBL.

On December 31, 2013, GBHL transferred, by way of a distribution in specie, all of the Shares owned by it to SGIL, PUD, CAEL, ROSL, and SIML, the then shareholders of GBHL, in proportion to their then shareholding in GBHL so as to allow them to hold direct interests in the Company.

On December 31, 2013, 299,997,000 Shares, 258,997,410 Shares, 239,997,600 Shares, 150,998,490 Shares and 49,999,500 Shares, which were all fully paid or credited as fully paid, were allotted and issued to SGIL, PUD, CAEL, ROSL, and SIML, respectively, as consideration for the capitalization of debt in the amount of HK\$399,996,000 owing by our Company to GBHL.

Pursuant to the resolutions in writing of the Shareholders of our Company passed on January 6, 2016, the authorized share capital of our Company was increased from HK\$100 to HK\$1,000 divided into 10,000,000,000 Shares with a par value of HK\$0.0000001 each by the creation of an additional 9,000,000,000 Shares.

Immediately following the completion of the Global Offering and taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the issued share capital of our Company will be HK\$133.334 divided into 1,333,340,000 Shares, all fully paid or credited as fully paid and 8,666,660,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed “—A. Further information about our Group—3. Resolutions in writing of our Shareholders passed on January 6, 2016” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

### 3. Resolutions in writing of our Shareholders passed on January 6, 2016

Pursuant to the written resolutions passed by our Shareholders on January 6, 2016:

- (a) approved and conditionally adopted the Articles of Association which will become effective upon the Listing Date;
- (b) approved and adopted the Memorandum of Association with immediate effect;
- (c) the authorized share capital of our Company was increased from HK\$100 to HK\$1,000 by the creation of an additional 9,000,000,000 Shares of HK\$0.0000001;
- (d) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue, Shares to be issued pursuant to the Global Offering and our Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price among our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (i) the Global Offering (including the Over-allotment Option) was approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering;
  - (ii) the Over-allotment Option was approved and our Directors be authorised to effect the same and to allot and issue such Over-allotment Shares upon the exercise of the Over-allotment Option; and



- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “—D. Other information—1. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all actions as they consider necessary or desirable to implement the Share Option Scheme.
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Pre-IPO Share Option Scheme or the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares that may be issued pursuant to the exercise of the options under the Pre-IPO Share Option Scheme or the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (f) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares that may be issued pursuant to the exercise of the options under the Pre-IPO Share Option Scheme or the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

#### 4. Corporate reorganization

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganization, please refer to the section headed “History, Reorganization and Corporate Structure” in this prospectus.

#### 5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the accountants’ report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the accountants’ report and in the section headed “History, Reorganization and Corporate Structure” in this prospectus, our Company has no other subsidiaries.

Save as for the above changes in the share capital of subsidiaries as mentioned in the section headed “History, Reorganization and Corporate Structure” in this prospectus, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

#### 6. Repurchases of our Shares

##### (a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

##### (i) *Shareholders’ approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

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*Note:* Pursuant to the written resolutions passed by our Shareholders on January 6, 2016, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorizing the repurchase of Shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association, the Articles, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time. Subject to the foregoing, such repurchases by our Company may only be made out of our Company's funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of Shares made for the purpose of the repurchase.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have general authority from its Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association, the Articles, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Companies Law, any repurchase of Shares will be made out of the profits of our Company, the share premium account of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Articles and the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company or, subject to the Articles and the Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 1,333,340,000 Shares in issue immediately after the Listing (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), could accordingly result in up to 133,334,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If, as a result of a securities repurchase pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering (but taking no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be 133,334,000 Shares, being 10% of the issued share capital of our Company based on the aforesaid assumptions. The percentage of shareholding of our Controlling Shareholders will be increased to approximately 72.71% of the issued share capital of our Company immediately

following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

**B. INFORMATION ABOUT OUR BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the equity transfer agreement dated September 17, 2015 entered into between GCCL, Mr. Song and Ms. Fu, pursuant to which Mr. Song and Ms. Fu transferred 90% and 10% equity interest in SGCP to GCCL at a consideration of RMB4,500,000 and RMB500,000, respectively;
- (b) the deed of indemnity dated January 21, 2016 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for each of its subsidiaries) in respect of, amongst others, taxation and property matters referred to in the paragraph headed “—D. Other information—3. Tax and other indemnities” in this Appendix;
- (c) the Deed of Non-Competition; and
- (d) the Hong Kong Underwriting Agreement.


## 2. Intellectual property rights of our Group


## (a) Trademarks

As of the date of this prospectus, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration No.	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
<b>gbKids Station</b>	12565409	25	GCCL	PRC	October 7, 2014	October 6, 2024
<b>gbKids Station</b>	12565379	35	GCCL	PRC	October 7, 2014	October 6, 2024
星站	12898664	25	GCCL	PRC	November 28, 2014	November 27, 2024
星站	12898795	35	GCCL	PRC	December 21, 2014	December 20, 2024
 好孩子	303486312	27	GCCL	Hong Kong	July 28, 2015	July 27, 2025

As of the Latest Practicable Date, our Group had applied for the registration of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Application No.	Class	Name of Applicant	Place of Application	Date of Application
	17006404	25	GCCL	PRC	May 21, 2015
好孩子e家	17006439	25	GCCL	PRC	May 21, 2015

Trademark	Application No.	Class	Name of Applicant	Place of Application	Date of Application
好孩子e家	17006502	35	GCCL	PRC	May 21, 2015
	17006521	35	GCCL	PRC	May 21, 2015

(b) *Patents*

As of the Latest Practicable Date, our Group was the registered proprietor of the following patents, which, in the opinion of our Directors, are material to our business:

Title	Patent No.	Type	Place of registration	Expiry Date
A kind of children's cup's duckbill type nozzle (一種兒童水杯的鴨嘴型吸嘴)	ZL201320582038.5	Utility	PRC	September 17, 2023
A kind of children's cup's nozzle (一種兒童水杯的吸嘴)	ZL201320582523.2	Utility	PRC	September 17, 2023
Children's cups (兒童水杯)	ZL201330466513.8	Design	PRC	September 28, 2023
Children's cups (兒童水杯)	ZL201330466434.7	Design	PRC	September 28, 2023
Soles and children's shoes with soles (鞋底以及具有該鞋底的童鞋)	ZL201120130374.7	Utility	PRC	April 27, 2021
A kind of children's shoe lasts (一種童鞋的楦頭)	ZL201120179863.1	Utility	PRC	May 30, 2021
Children's shoe lasts (童鞋的楦頭)	ZL201120179796.3	Utility	PRC	May 30, 2021
A kind of milk bottle sterilizer (一種奶瓶消毒鍋)	ZL201120255233.8	Utility	PRC	July 18, 2021
Baby milk bottle sterilizer (嬰兒奶瓶消毒鍋)	ZL201120255231.9	Utility	PRC	July 18, 2021
Milk bottle sterilizer (奶瓶消毒鍋)	ZL201120256495.6	Utility	PRC	July 18, 2021
Children's shoes (童鞋)	ZL201120254913.8	Utility	PRC	July 18, 2021
A kind of children's shoes (一種童鞋)	ZL201120254658.7	Utility	PRC	July 18, 2021
A kind of baby milk bottle sterilizer (一種幼兒奶瓶消毒瓶)	ZL201120265057.6	Utility	PRC	July 18, 2021

<b>Title</b>	<b>Patent No.</b>	<b>Type</b>	<b>Place of registration</b>	<b>Expiry Date</b>
Baby milk bottle sterilizer (幼兒奶瓶消毒鍋)	ZL201120265076.9	Utility	PRC	July 18, 2021
Sterilizer (消毒鍋)	ZL201130208045.5	Design	PRC	July 3, 2021
Sterilizer (消毒鍋(波浪線))	ZL201130212081.9	Design	PRC	July 5, 2021
Children's shoes (1) (童鞋(1))	ZL201130208041.7	Design	PRC	July 3, 2021
Children's shoes (2) (童鞋(2))	ZL201130208048.9	Design	PRC	July 3, 2021
Children's shoes (3) (童鞋(3))	ZL201130208042.1	Design	PRC	July 3, 2021
Children's shoes (4) (童鞋(4))	ZL201130208047.4	Design	PRC	July 3, 2021
Children's shoes (5) (童鞋(5))	ZL201130208043.6	Design	PRC	July 3, 2021

(c) *Domain names*

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

<b>Domain name</b>	<b>Name of Registered Proprietor</b>	<b>Date of Registration</b>	<b>Expiry Date</b>
haohaizi.com . . . . .	SHFS	June 27, 2003	June 28, 2017
gb-china.com . . . . .	GCCL	June 23, 2015	June 23, 2017
goodbabychina.com . . . . .	GCCL	March 12, 2015	March 12, 2017

(d) *The transfer of trademarks from the GBI Group*

Pursuant to the De-merger Agreement, the GBI Group should transfer 164 registered trademarks and two trademark applications to our Group as part of the de-merger of the GBI Group in 2010. To legally and properly separate the rights to the De-merger Trademarks between our Group and the GBI Group and in view of the implementation of the preparation for the listing plan of our Group, the transfer and registration of the De-merger Trademarks commenced in the first half of 2015 and relevant filings to the Trademark Office of SAIC have been made. As at the Latest Practicable Date, the Trademark Transfer were still in progress and we have received the acceptance letter of the transfer of trademarks from the Trademark Office of SAIC. The transfer is expected be completed by the end of December 2016.



### C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

#### 1. Directors

##### (a) *Disclosure of Interests - interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which maybe issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our 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 which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

##### (i) *Interests in our Company*

Name	Nature of interest	Interests in Shares <sup>Notes(1)(2)</sup>	Approximate percentage of shareholding
Ms. Fu <sup>(Notes 3-6)</sup> . . . . .	Settlor/beneficiary of trusts	650,000,000(L)	48.75%
		79,110,000(S)	5.93%
	Interest of spouse	222,478,962(L)	16.69%
Mr. Song <sup>(Notes 3-6)</sup> . . . . .	Settlor/beneficiary of a trust	499,000,000(L)	37.42%
		79,110,000(S)	5.93%
	Interest in a controlled corporation	222,478,962(L)	16.69%
Ms. Kobler <sup>(Notes 4 and 6)</sup>	Interest of spouse	151,000,000(L)	15.10%
	Beneficiary of a trust	151,000,000(L)	11.33%
	Interest in a controlled corporation	1,959,594(L)	0.15%
Mr. Liu <sup>(Notes 5-7)</sup> . . . . .	Interest in controlled corporations	77,227,123(L)	5.79%

*Notes:*

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) The letter “S” denotes the person’s short position in our Shares. It represents the number of Shares in respect of which CAEL has granted purchase rights to our 72 employees subject to certain terms and conditions.
- (3) CAEL directly holds 240,000,000 Shares and holds approximately 51.19% in PUD, which in turn holds in aggregate 259,000,000 Shares. CAEL is 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. Credit Suisse Trust Limited 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. Therefore, Mr. Song and Ms. Fu are deemed or taken to be interested in all the Shares which are owned by CAEL for the purpose of SFO. During the period between 2012 to 2013, CAEL granted options to 72 employees of our Group to purchase from it an aggregate of approximately 5.93% of the issued share capital of our Company (where the maximum number of options has been granted) (as enlarged by the Global Offering, but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme). Vesting and transfer of these option Shares are subject to the Listing and individual performance target of the grantees.

- (4) ROSL is indirectly wholly-owned by Credit Suisse Trust Limited as trustee of the Golden Phoenix Trust, a foreign discretionary revocable trust established under the laws of Guernsey. Ms. Fu is the settlor of the trust and Credit Suisse Trust Limited is the trustee holding such interest on trust for the beneficiaries that include Ms. Fu and Ms. Kobler. Therefore, Ms. Fu and Ms. Kobler are deemed or taken to be interested in all the Shares which are owned by ROSL for the purpose of SFO. Mr. Song is the spouse of Ms. Fu. Therefore, Mr. Song is deemed or taken to be interested in all the Shares which are interested by Ms. Fu for the purpose of the SFO.
- (5) SGIL is owned as to 44.44% by Mr. Song, our executive Director, 22.22% by Ms. Fu, our executive Director and the spouse of Mr. Song, 16.67% by Mr. Wang, 11.11% by Mr. Liu, our non-executive Director and 5.56% by Mr. Michael Nan Qu, an Independent Third Party other than as a shareholder of SGIL. Therefore, Mr. Song is deemed or taken to be interested in all the Shares which are beneficially owned by SGIL for the purpose of SFO. Ms. Fu is the spouse of Mr. Song. Therefore, Ms. Fu is deemed or taken to be interested in all the Shares which are interested by Mr. Song for the purpose of the SFO.
- (6) PUD is owned as to approximately 51.19% by CAEL, approximately 12.37% by Powergain Global Limited, approximately 9.69% by Lexidirect Corporation, and approximately 26.75% by other 126 shareholders who hold their shares individually, which include current employees or ex-employee of our Group and the GBI Group (including approximately 0.76% held by Ms. Kobler). None of these other shareholders holds more than 4% interest in PUD on an individual basis. Lexidirect Corporation is owned as to 10% by Mr. Liu, our non-executive Director, and 90% by Ms. Shi Lan, an Independent Third Party, and Powergain Global Limited is wholly-owned by Mr. Wang. Therefore, CAEL is deemed or taken to be interested in all the Shares which are beneficially owned by PUD for the purpose of SFO.
- (7) SIML is wholly-owned by Mr. Liu. By virtue of the SFO, Mr. Liu is deemed to be interested in our Shares held by SIML.

(b) *Particulars of service contracts and letters of appointment*

Each of our executive Directors, namely Mr. Song, Ms. Fu, Mr. Wang Yadong and Ms. Kobler has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one months' notice in writing served by either party on the other.

Our non-executive Director, namely Mr. Liu, has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one months' notice in writing served by either party on the other.

Each of the independent non-executive Directors, namely Dr. Leung Lim Kin, Simon, Ms. Caroline Irene Chen and Dr. Ngai Wai Fung, has signed a letter of appointment with our Company for a term of three years with effect from the Listing Date.

(c) *Directors' remuneration*

Each of our executive Directors and non-executive Director is entitled to a director's fee and shall be paid a remuneration on the basis of a twelve-month year. The current annual remuneration (including fees, salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind) of our executive Directors and non-executive Director for the year ended December 31, 2012, 2013 and 2014 and ten months ended October 31, 2015 was RMB7,289,000, RMB7,469,000, RMB7,278,000 and RMB5,911,000, respectively.

Each of our independent non-executive Directors, namely Dr. Leung Lim Kin, Simon, Ms. Caroline Irene Chen and Dr. Ngai Wai Fung, has been appointed for a term of three years. We intend to pay a director's fee of HK\$234,000 per annum to each of our independent non-executive Directors, respectively. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding his or her office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, contributions to pension scheme, housing allowances and other allowances and benefit in kind) of our Directors for the year ending December 31, 2015 is estimated to be no more than RMB7,286,000 million.

All reasonable travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by the executive Directors in the process of discharging their duties on behalf of our Group will be borne by our Company. Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Further details of the terms of the abovementioned service contracts are set out in the paragraph headed “—C. Further information about our Directors and substantial shareholders—1. Directors—(b) Particulars of service contracts and letters of appointment” above in this Appendix.

## 2. **Substantial Shareholders**

So far as is known to our Directors as of the Latest Practicable Date, immediately following the completion of the Global Offering (but taking no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other member of our Group:

Name of Shareholder	Nature of interest	Number of Shares <sup>(Notes 1-2)</sup>	Approximate percentage of interest in our Company immediately following the completion of the Global Offering
PUD <sup>(Note 6)</sup> . . . . .	Beneficial owner	259,000,000(L)	19.42%
CAEL <sup>(Notes 3, 6)</sup> . . . . .	Beneficial owner	240,000,000(L)	18.00%
	Interest in a controlled corporation	259,000,000(L) 79,110,000(S)	19.42% 5.93%
Credit Suisse Trust Limited <sup>(Notes 3-4)</sup> . . . . .	Trustee	499,000,000(L) 79,110,000(S)	37.42% 5.93%
	Trustee	151,000,000(L)	11.33%
Grappa Holdings Limited <sup>(Note 3)</sup> . . . . .	Interest in a controlled corporation	499,000,000(L) 79,110,000(S)	37.42% 5.93%
Seletar Limited <sup>(Note 3)</sup> . . . . .	Interest in a controlled corporation	499,000,000(L) 79,110,000(S)	37.42% 5.93%
Serangoon Limited <sup>(Note 3)</sup> . . . . .	Interest in a controlled corporation	499,000,000(L) 79,110,000(S)	37.42% 5.93%
ROSL <sup>(Note 4)</sup> . . . . .	Beneficial owner	151,000,000(L)	11.33%
SGIL <sup>(Note 5)</sup> . . . . .	Beneficial owner	222,478,962(L)	16.69%
Mr. Wang <sup>(Notes 5-6)</sup> . . . . .	Interest in a controlled corporation	37,087,243(L)	2.78%
	Interest in a controlled corporation	32,038,300(L)	2.40%
Golden Phoenix Limited <sup>(Note 4)</sup> . . . . .	Interest in a controlled corporation	151,000,000(L)	11.33%

*Notes: Please refer to the notes on pages IV-11 to IV-12 of this Prospectus.*

### 3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

### 4. Disclaimers

Save as disclosed in the prospectus:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will

be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once our Shares are listed;

- (b) none of our Directors or experts referred to under the paragraph headed “—D. Other information—10. Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the paragraph headed “—D. Other information—10. Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

**D. OTHER INFORMATION****1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on January 6, 2016.

**(a) Purpose**

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in our Company with a view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

**(b) Who may join**

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Acceptance of an offer of options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in a general meeting approving any necessary increase in the authorized share capital of our Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 133,334,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the



number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
  - (aa) the Eligible Participant's name, address and occupation;
  - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;



- (cc) the date upon which an offer for an option must be accepted;
- (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the option is offered;
- (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
- (gg) the date of the notice given by the grantee in respect of the exercise of the option; and
- (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) ***Price of Shares***

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) ***Granting options to connected persons***

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue; and

- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
  - (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
  - (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
  - (iv) the information required under Rule 2.17 of the Listing Rules.
- (h) ***Restrictions on the times of grant of options***

A grant of options may not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results or half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) ***Rights are personal to grantee***

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt to do so (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) ***Time of exercise of option and duration of the Share Option Scheme***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) ***Performance target***

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) ***Rights on ceasing employment or death***

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his/her employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his/her personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) *Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he/she has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) *Rights on takeover*

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option (or his or her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of or in connection with scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it despatches notice of the meeting to its members and/or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company at any time prior to 12:00 p.m. on the second business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting), exercise the

option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercising the option.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

**(s) *Expiry of option***

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

**(t) *Alteration of the Share Option Scheme***

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) *Cancellation of options*

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (m).

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force and effect to the extent necessary to give effect to the exercise of any option granted prior thereto in all other respects or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within two calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 133,334,000 Shares in total.

## 2. **Pre-IPO Share Option Scheme**

(a) *Summary of terms*

The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution of certain senior management, employees, consultants and other contributors of our Group have made or may have been made to the growth of our Group. The principal terms of the Pre-IPO Share Option Scheme, which were confirmed and approved by resolutions in writing of the Shareholders passed on January 15, 2015, are substantially the same as the terms of the Share Option Scheme (where applicable) except for the following principal terms:

- (i) any options granted under the Pre-IPO Share Option Scheme will lapse automatically if the Listing does not take place by December 31, 2016;
- (ii) no adjustment will be allowed to the effect that the subscription price of any options granted under the Pre-IPO Share Option Scheme is lower than the Offer Price;
- (iii) the maximum number of Shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme of our Company must not in aggregate exceed 50,000,000 Shares immediately after the Global Offering and assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme;



- (iv) as at the Latest Practicable Date, the total number of Shares subject to the Pre-IPO Share Option Scheme is 9,800,000, representing:
- (1) approximately 0.73% of the total issued share capital of our Company immediately upon completion of the Global Offering (but taking no account of the Shares to be issued pursuant to the exercise of the Over-allotment Option, and options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme); and
  - (2) approximately 0.73% of the total issued share capital of our Company immediately upon completion of the Global Offering and assuming that all Pre-IPO Share Options are exercised at the same time (but taking no account of the Shares to be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme);
- (v) the Pre-IPO Share Option Scheme will expire on the Listing Date. Save for the options which has been granted and disclosed in this prospectus under the Pre-IPO Share Option Scheme, no further options will be offered or granted thereunder but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the exercise of any options granted; and
- (vi) the Pre-IPO Share Option Scheme is conditional upon its adoption by our Shareholder, but the exercise of any option granted thereunder is conditional upon:
- (1) the Listing Committee granting the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options; and
  - (2) the commencement of dealings in our Shares on the Main Board of the Stock Exchange.

(b) *Outstanding Options*

As at the Latest Practicable Date, options to subscribe for an aggregate of 9,800,000 Shares at an exercise price of RMB3.48 per Share equivalent to an approximately 51% discount to the mid-point of the Offer Price, have been conditionally granted by our Company under the Pre-IPO Share Option Scheme. A total of 46 employees of our Group (the “**Option Holders**”) have been granted options under the Pre-IPO Share Option Scheme. All of the 46 Option Holders are employees of our Group who are neither directors, senior management nor connected person of our Group.

The options have been granted based on individual performance of each Option Holders who have made important contributions to and are important to the long term growth and performance of our Group.

Below is a list of grantees who have been granted the options under the Pre-IPO Share Option Scheme:

*Employees of our Group*

No.	Name of Grantee	Residential Address	Number of underlying Shares subject to option	Approximate percentage of shareholding after completion of the Global Offering
1.	Li Jing (李靜)	Lane 881 Yingxing Road, Yangpu District, Shanghai, PRC	300,000	0.022%
2.	Mascha de Kraker (瑪莎)	Rembrandtstraat 1,5691 DZ Son, the Netherlands, Holland	500,000	0.037%
3.	Wang Qi (王琦)	No.10, Lane 751 Donggao Road, Shanghai, PRC	300,000	0.022%
4.	He Yuwen (何玉雯)	272 Nanjing West Road, Datong District, Taipei, Taiwan	350,000	0.026%
5.	Zheng Fazheng (鄭發正)	Block 21, Duhuixinfeng, Zhaofeng Road, Huaqiao Town, Kunshan, PRC	250,000	0.019%
6.	Zhang Xia (張霞)	Liuhe community, Shuangliu county, Chengdu, Sichuan Province, PRC	300,000	0.022%
7.	Li Zejun (李澤軍)	No 34 Hongmei community, Zhongcheng Garden, Huaqiao Town, Kunshan, PRC	300,000	0.022%
8.	Ji Tianyi (季添軼)	Lanting Garden, Chanshan Road, Huanggu District, Shenyang, Liaoning Province, PRC	200,000	0.015%
9.	Tang Beimin (唐蓓敏)	No. 6 Lane 999 Sanquan Road, Shanghai, PRC	200,000	0.015%
10.	Chen Zongfang (陳宗仿)	Estate 2, Hongcheng Alley, Zhanggong District, Hanzhou city, Jiangxi Province, PRC	200,000	0.015%

No.	Name of Grantee	Residential Address	Number of underlying Shares subject to option	Approximate percentage of shareholding after completion of the Global Offering
11.	Che Jie (車潔)	Anji Garden, No. 1 Hedong District, Tianjin, PRC	200,000	0.015%
12.	Feng Liangju (馮良駒)	Estate 1, No. 3 Diankeyuan Road, Jiangan District, Wuhan, Hubei Province, PRC	200,000	0.015%
13.	Xiang Qing (相慶)	Estate 18, Langqingyuan garden, Hongqiao Road, Yushan Town, Kunshan, Jiangsu Province, PRC	200,000	0.015%
14.	Gao Shang (高尚)	Estate 4, 15 neighbourhood, Wanshou Middle street, Xincheng District, Xian, PRC	200,000	0.015%
15.	Xiong Hao (熊皓)	Block 2, Chunhuijinyuan, Zhoushi Town, Kunshan, Jiangsu Province, PRC	100,000	0.007%
16.	Liu Ling (劉玲)	No. 37 Yulong East village, Kunshan, Jiangsu Province, PRC	150,000	0.011%
17.	Lu Yefeng (蘆業峰)	Block 32, Guangda Garden (Zone E), No. 450 Xinpu Road, Kunshan, Jiangsu Province, PRC	100,000	0.007%
18.	Wan Jiashu (萬加書)	Block 20, Kaidinanming Community, Lucheng Road, Kunshan, Jiangsu Province, PRC	100,000	0.007%
19.	Wang Zhigang (王志剛)	Block 7, 399 Baota Road, Jiading District, Shanghai, PRC	100,000	0.007%
20.	Zhang Jian (張健)	Block 2, Chuantian community, 245 Lianyi Road, Lujia Town, Kunshan, Jiangsu Province, PRC	100,000	0.007%
21.	Li Bing (李兵)	Yifengjidiancheng, 111 Zhaoyang East Road, Kunshan, Jiangsu Province, PRC	100,000	0.007%

No.	Name of Grantee	Residential Address	Number of underlying Shares subject to option	Approximate percentage of shareholding after completion of the Global Offering
22.	Zhou Quanshou (周權壽)	No 3, Estate 4, 388 Yunping Road, Jiading District, Shanghai, PRC	100,000	0.007%
23.	Yang Jie (楊傑)	Estate 2, No 111 Xilingjiazhan Road, Huangpu District, Shanghai, PRC	200,000	0.015%
24.	Lu Juntao (鹿軍濤)	Second Shandong University Hospital, 247 Beiyuan Street, Tianqiao District, Jinan, Shandong Province, PRC	150,000	0.011%
25.	Bao Jingbin (包靜斌)	Estate 17, Shaocunnan Community, Lujia Town, Kunshan, Jiangsu Province, PRC	100,000	0.007%
26.	Zhang Jinhua (張晉華)	Unit 1, Block B, Dayingpanhanfu Community, Taiyuan, Shanxi Province, PRC	100,000	0.007%
27.	Jiang Jinhui (姜金輝)	Block 1, No. 103 Jialingjiang Road, Huanggu District, Shenyang, PRC	50,000	0.004%
28.	Xuan Weihong (玄偉紅)	Hongli Garden, Fuxing Road, Hongqiao District, Tianjin, PRC	100,000	0.007%
29.	Zhang Yang (張楊)	Block 3, 103 Guogeli Street, Nangang District, Haerbin, Heilongjiang province, PRC	100,000	0.007%
30.	Zhu Xinyun (朱欣贇)	Block 4, 88 Jiuhua Road, Insustrial Park, Suzhou, PRC	200,000	0.015%
31.	Zhang Rongzhi (張榮志)	Estate 7, 68 Tianyuan Middle street, Jiangning District, Nanjing, PRC	100,000	0.007%

No.	Name of Grantee	Residential Address	Number of underlying Shares subject to option	Approximate percentage of shareholding after completion of the Global Offering
32.	Li Ya (李雅)	Block 9, 230 Nanyang Road, Jinshui District, Zhengchou, Henan Province, PRC	100,000	0.007%
33.	Liu Hongying (劉紅英)	Unit 1, Block 13, Juheyuanjian Commuinty, Jianqiang Road, Yuhua District, Shijiazhuang, PRC	100,000	0.007%
34.	Li Ying (李穎)	Block 1, Estate 6, Manbubali Community, 463 Gongnong street, Daoli District, Haerbin, PRC	100,000	0.007%
35.	Li Qiong (李瓊)	Block 2, No 19 Hongcheng Alley, Zhanggong District, Hanzhou, Jiangxi Province, PRC	100,000	0.007%
36.	Wei Yonghui (魏永輝)	Block 24, Tuosikana Community, Dianchang Road, Huiji District, Zhengzhou, PRC	100,000	0.007%
37.	Shi Hongmei (石紅梅)	6/F, Block 2, Estate 1, Dormitory of precision ground factory, Shuangta South Road, Taiyuan, Shanxi Province, PRC	100,000	0.007%
38.	Shi Honghui (石宏輝)	Block 6, 109 Yunhe West Road, Guangling District, Yangzhou, Jiangsu Province, PRC	100,000	0.007%
39.	Rao Peng (饒鵬)	Block 6, Zhongbing Apartment, Youyi Road, Hexi District, Tianjin, PRC	350,000	0.026%
40.	Guo Dong (郭東)	Block 2, 315 Longhua West Road, Xuhui District, Shanghai, PRC	1,100,000	0.082%

No.	Name of Grantee	Residential Address	Number of underlying Shares subject to option	Approximate percentage of shareholding after completion of the Global Offering
41.	Fu Zhiwen (付志文)	Block 10, Lanshanwan Community, 28 Wenchang Road, Licang District, Qingdao, Shandong Province, PRC	700,000	0.052%
42.	Wang Lin (汪琳)	No. 38, 99 Wanding Road, Shanghai, PRC	500,000	0.037%
43.	Zhan Xueling (詹雪玲)	58 Songyuan Road, Changning District, Shanghai, PRC	500,000	0.037%
44.	Yin Jun (印俊)	Block 10, Tiandihuacheng, 1688 Qiamjin West Road, Yushan Town, Kunshan, PRC	100,000	0.007%
45.	Yuan Yan (袁燕)	Lane 3, 1876 Qishan Road, Shanghai, PRC	100,000	0.007%
46.	Zheng Manli (鄭蔓莉)	Dongjingyuan, Guangxia Road, Lujia Town, Kunshan, PRC	100,000	0.007%
		<b>Total:</b>	<u>9,800,000</u>	<u>0.73%</u>

Except as set out above, no other options have been granted or agreed to be granted by us under the Pre-IPO Share Option Scheme.

(c) *Termination of the Pre-IPO Share Options*

The Pre-IPO Share Options will be terminated immediately and would no longer be exercisable in the event of termination of employment for any reasons including, but not limited to, retirement, death, disability, resignation or other reasons resulting in the discharge of his/her current duties.

All the Pre-IPO Share Options are not transferable or assignable and are personal to the grantee of the options. Pursuant to the Pre-IPO Share Option Scheme and the offer letters in respect of the grant of the Pre-IPO Share Options, the grantees may only exercise their options in the following respective manners:

<b>Maximum percentage of options under the Pre-IPO Share Option Scheme exercisable</b>	<b>Period for exercise of the relevant percentage of options</b>
16.66% of the total number of underlying Shares under the options granted to such grantee	From the date immediately after 6 months from the Listing Date
16.66% of the total number of underlying Shares under the options granted to such grantee, in addition to the 16.66% referred to above	From the date of the first anniversary of the Listing Date
16.66% of the total number of underlying Shares under the options granted to such grantee, in addition to the 33.32% referred to above	From the date of the second anniversary of the Listing Date
16.66% of the total number of underlying Shares under the options granted to such grantee, in addition to the 49.98% referred to above	From the date of the third anniversary of the Listing Date
16.66% of the total number of underlying Shares under the options granted to such grantee, in addition to the 66.64% referred to above	From the date of the fourth anniversary of the Listing Date
The remaining 16.67% of the total number of underlying Shares under the options granted to such grantee, in addition to the 83.3% referred to above	From the date of the fifth anniversary of the Listing Date

Outstanding and unexercised Pre-IPO Share Options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the option period, and until the tenth anniversary of the date of the respective agreements in respect to the Pre-IPO Share Option Scheme entered into between the Company and the Option Holders.

We will not permit the exercise of any options granted under the Pre-IPO Share Option Scheme by any of our connected persons (if any) if, upon such exercise, we would not be able to attain the minimum public float requirement under the Listing Rules.

Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full immediately after the completion of the Global Offering and 9,800,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme but not taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, this would not have a potential dilutive effect on the unaudited estimated basic earnings per Share. This calculation has been prepared on the assumption that we will not receive any proceeds from the exercise of any option under the Pre-IPO Share Option Scheme, and without taking into account the impact of fair value of the Shares on computation of the number of potentially dilutive Shares.

Based on the number of issued Shares immediately following completion of the Global Offering and assuming that the options that may be granted under the Share Option Scheme and the Over-allotment Option have not been exercised, full exercise of the Pre-IPO Share Options would result in the issued share capital of our Company be increased by approximately 0.73%, hence diluting the shareholdings of our Shareholders. Assuming all Pre-IPO Share Options had been exercised in full, but not taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme or the Over-allotment Option, there would be no dilutive effect on (i) the shareholdings of the Shareholders; and (ii) earnings per Share. As at the Latest Practicable Date, none of the Pre-IPO Share Options had been exercised by the grantees. Application has been made to the Stock Exchange for the listing of and permission deal in Shares to be issued pursuant to the exercise of the Pre-IPO Share Options.

### **3. Tax and other indemnities**

Our Controlling Shareholders entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in the paragraph headed “—B. Information about our business—1. Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional.

### **4. Litigation**

As of the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.



**5. Sole Sponsor**

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all of our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option or options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees is US\$500,000 and is payable by our Company.

**6. Preliminary expenses**

The estimated preliminary expenses incurred and paid by our Company were approximately RMB23,193.

**7. Promoter**

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

**8. Taxation of holders of Shares****(a) Hong Kong**

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

**(b) Cayman Islands**

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

**(c) Consultation with professional advisers**

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

**9. Qualification of experts**

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualification
Morgan Stanley Asia Limited . . . . .	Licensed corporation under SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities
Jingtian & Gongcheng . . . . .	PRC legal advisers
Appleby . . . . .	Cayman Islands legal advisers
Ernst & Young . . . . .	Certified public accountants, Hong Kong
Frost & Sullivan . . . . .	Industry consultant

**10. Consents of experts**

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

**11. Interests of experts in our Company**

None of the persons named in paragraph 9 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

**12. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## 13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no Share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
  - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since October 31, 2015 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained by our principal share registrar, Appleby Trust (Cayman) Ltd., in the Cayman Islands and a branch register of members of our Company will be maintained by Computershare Hong Kong Investor Services Limited in Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

- (g) our Directors have been advised that under the Cayman Companies Law the use of a Chinese name by our Company does not contravene the Cayman Companies Law; and
- (h) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.
- (i) as at the Latest Practicable Date, our Company had distributable reserves available for distribution to our Shareholders, subject to the dividend policy of our Company.

#### **14. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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**APPENDIX V            DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
AND AVAILABLE FOR INSPECTION**

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information—D. Other information—10. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information—B. Information about our business—1. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the amended and restated Memorandum and Articles of Association;
- (b) the Cayman Companies Law;
- (c) the accountants’ report from Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (d) the report from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix IIA to this prospectus;
- (e) the letters from Ernst & Young and the Sole Sponsor relating to the profit estimate, the texts of which are set out in Appendix IIB to this prospectus;
- (f) the audited consolidated financial statements of our Group for the three years ended December 31, 2012, 2013 and 2014 and the ten months ended October 31, 2015;
- (g) the PRC legal opinions issued by Jingtian & Gongcheng, our PRC legal advisers in respect of our Group’s business operations and property interests in the PRC;
- (h) the letter of advice from Appleby, our Cayman Islands legal advisers, summarizing the constitution of our Company and certain aspects of Cayman Companies Law referred to in the section headed “Summary of the Constitution of our Company and Cayman Companies Law” in Appendix III to this prospectus;

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**APPENDIX V            DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
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- (i) material contracts referred to in the section headed “Statutory and General Information — B. Information about our business—1. Summary of material contracts” in Appendix IV to this prospectus;
- (j) the Frost & Sullivan Report;
- (k) service contracts and letters of appointment with each of our Directors referred to in the section headed “Statutory and General Information—C. Further Information About Our Directors and Substantial Shareholders—1. Directors—(b) Particulars of service contracts and letters of appointment” in Appendix IV to this prospectus;
- (l) the written consents referred to in the section headed “Statutory and General Information—D. Other information—10. Consents of experts” in Appendix IV to this prospectus;
- (m) the rules of the Share Option Scheme;
- (n) the rules of the Pre-IPO Share Option Scheme; and
- (o) the full list of grantees who have been granted the Pre-IPO Share Options to subscribe for Shares under the Pre-IPO Share Option Scheme.



**好孩子**

好孩子中国控股有限公司  
Goodbaby China Holdings Limited