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Goodbaby International Holdings Limited
好孩子國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1086)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

Financial Highlights - Continuing Operations[1]

- Revenue for the year ended 31 December 2010 was approximately HK$3,721.9 million, up 22.7% as compared with approximately HK$3,032.2 million for the corresponding period in year 2009;

- Gross profit for the year ended 31 December 2010 was approximately HK$742.6 million, up 30.5% as compared with approximately HK$568.9 million for the corresponding period in 2009, which translated to a gross profit margin of approximately 20.0% for the year ended 31 December 2010 as compared with approximately 18.8% for the corresponding period in 2009; and

- Profit for the year ended 31 December 2010 was approximately HK$203.2 million, up 23.6% as compared with approximately HK$164.4 million for the corresponding period in 2009, which translated to a profit margin of approximately 5.5% for the year ended 31 December 2010 as compared with approximately 5.4% for the corresponding period in 2009. Excluding related expenses of the Company's initial public offering on the Stock Exchange, profit for the year ended 31 December 2010 was approximately HK$235.5 million, up 43.2% as compared with the corresponding period in 2009.

1. All references to continuing operations in this announcement refer to our operations which are principally in the design, research and development, manufacture, marketing and sale of strollers, children's car safety seats, cribs, bicycles and tricycles, and other durable juvenile products.

The board (the "**Board**") of directors (the "**Directors**") of Goodbaby International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2010, together with the comparative figures for the year ended 31 December 2009, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") as below.

FINANCIAL INFORMATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** *(HK$'000)*	**2009** *(HK$'000)*
Continuing operations			
Revenue	4,5	3,721,908	3,032,235
Cost of sales		(2,979,349)	(2,463,360)
Gross profit		742,559	568,875
Other income	5	32,851	25,105
Selling and distribution costs		(246,002)	(180,115)
Administrative expenses		(245,505)	(175,994)
Other expenses		(20,593)	(20,046)
Operating profit		263,310	217,825
Finance income	6	1,163	1,373
Finance costs	7	(18,341)	(14,415)
Profit before tax from continuing operations	8	246,132	204,783
Income tax expense	9	(42,942)	(40,421)
Profit for the year from continuing operations		203,190	164,362
Discontinued operation			
Loss after tax for the year from a discontinued operation		(52,237)	(104,654)
Profit for the year		150,953	59,708

	Notes	2010 (HK$'000)	2009 (HK$'000)
Other comprehensive income			
Exchange differences on translation		15,844	1,401
Total comprehensive income for the year, net of tax		166,797	61,109
Profit for the year attributable to:			
Owners of the parent		150,925	62,745
Non-controlling interests		28	(3,037)
		150,953	59,708
Total comprehensive income attributable to:			
Owners of the parent		165,871	64,123
Non-controlling interests		926	(3,014)
		166,797	61,109
Earnings per share attributable to ordinary equity holders of the parent:	11		
Basic and diluted			
- For profit for the year (HK$)		0.18	0.08
- For profit from continuing operations (HK$)		0.24	0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2010

	Notes	**2010** *(HK$'000)*	**2009** *(HK$'000)*
NON-CURRENT ASSETS			
Property, plant and equipment		538,491	611,005
Investment property		—	10,580
Prepaid land lease payments		67,118	65,694
Intangible assets		30,836	36,533
Deferred tax assets		15,912	18,334
Total non-current assets		652,357	742,146
CURRENT ASSETS			
Inventories	12	571,309	811,131
Trade and notes receivables	13	506,311	585,987
Prepayments and other receivables		178,243	156,244
Due from related parties		76,945	395,759
Cash and cash equivalents		1,024,722	218,585
Total current assets		2,357,530	2,167,706
CURRENT LIABILITIES			
Trade and notes payables	14	685,180	772,437
Other payables, advances from customers and accruals		265,924	412,255
Interest-bearing bank borrowings	15	319,590	127,687
Derivative financial instruments		2,885	—
Due to related parties		649	353,870
Income tax payable		9,732	9,174
Provision		23,922	20,690
Total current liabilities		1,307,882	1,696,113
NET CURRENT ASSETS		1,049,648	471,593
TOTAL ASSETS LESS CURRENT LIABILITIES		1,702,005	1,213,739

	Notes	2010	2009
		(HK$'000)	*(HK$'000)*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	152,779	374,787
Deferred tax liabilities		8,349	14,539
Total non-current liabilities		161,128	389,326
Net assets		1,540,877	824,413
EQUITY			
Equity attributable to owners of the parent			
Issued capital		10,000	273
Reserves		1,505,099	793,121
		1,515,099	793,394
Non-controlling interests		25,778	31,019
Total equity		1,540,877	824,413

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The Group is principally engaged in the manufacturing and distribution of child related products.

2. BASIS OF PREPARATION

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

Pursuant to a reorganization (the "Reorganization") to rationalize the group structure in preparation for the listing of the Company's shares on the Stock Exchange, the Group acquired a 100% equity interest in Kunshan Paragon Child Products Co., Ltd. ("PCPC") from a fellow subsidiary, Geoby Paragon Holdings Limited ("GPHL") in June 2010. As the Group, PCPC and GPHL were under the common control of G-Baby Holdings Limited ("GBHL") before and after the acquisition and the control were not transitory, the acquisition of PCPC were accounted for using the principle of pooling of interest method as if PCPC was the Group's subsidiary since 1 January 2009. Accordingly, the assets, liabilities and results of operations of PCCP were included in the preparation of the consolidated financial statement of the Group since 1 January 2009. Details of the Reorganization are set out in the Prospectus of the Company dated 24 November 2010.

Changes in accounting policy and disclosures

For the purpose of these consolidated financial statements, the Group has adopted at the beginning of the financial years presented, all the IFRSs that have been issued and effective for the financial years presented.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate.

3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 1 Amendments	Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[2]
	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets[4]
IFRS 9	Financial Instruments[6]
IAS 12 Amendments	Amendments to IAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (Revised)	Related Party Disclosures[3]
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation —Classification of Rights Issues[1]
IFRIC-Amendments 14	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement[3]
IFRIC-Amendments 19	Extinguishing Financial Liabilities with Equity Instruments[2]

Apart from the above, the IASB has issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for the accounting periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 February 2010

[2] Effective for annual periods beginning on or after 1 July 2010

[3] Effective for annual periods beginning on or after 1 January 2011

[4] Effective for annual periods beginning on or after 1 July 2011

[5] Effective for annual periods beginning on or after 1 January 2012

[6] Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

(c) Domestic — Strollers and accessories segment, which engages in the sourcing and distributing strollers; and

(d) Domestic — Other durable juvenile products segment, which engages in the sourcing and distributing durable juvenile products including car seats and accessories, cribs and accessories and other children's products.

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

Intersegment sales are transacted with reference to the cost of the overseas — Strollers and accessories and overseas — other durable juvenile products segments.

Year ended 31 December 2010	Overseas HK$'000			Domestic HK$'000			Consolidated HK$'000
	Strollers and accessories	*Other durable juvenile products*	*Subtotal*	*Strollers and accessories*	*Other durable juvenile products*	*Subtotal*	
Segment revenue:							
Sales to external customers	1,515,270	1,376,237	2,891,507	309,985	520,416	830,401	3,721,908
Intersegment sales	141,257	156,172	297,429	—	—	—	297,429
			3,188,936			830,401	4,019,337
Reconciliation:							
Elimination of intersegment sales							(297,429)
Revenue from continuing operations							3,721,908
Cost of sales							(2,979,349)
Other income							32,851
Operating costs							(491,507)
Other expenses							(20,593)
Finance income/(costs) - net							(17,178)
Profit before tax from continuing operations							246,132

Year ended 31 December 2009	Overseas HK$'000			Domestic HK$'000			Consolidated HK$'000
	Strollers and accessories	*Other durable juvenile products*	*Subtotal*	*Strollers and accessories*	*Other durable juvenile products*	*Subtotal*	
Segment revenue:							
Sales to external customers	1,345,884	956,222	2,302,106	263,388	466,741	730,129	3,032,235
Intersegment sales	169,719	145,149	314,868	—	—	—	314,868
			2,616,974			730,129	3,347,103
Reconciliation:							
Elimination of intersegment sales							(314,868)
Revenue from continuing operations							3,032,235
Cost of sales							(2,463,360)
Other income							25,105
Operating costs							(356,109)
Other expenses							(20,046)
Finance income/(costs) - net							(13,042)
Profit before tax from continuing operations							204,783

4. **OPERATING SEGMENT INFORMATION (CONTINUED)**

Geographical information

(a) **Revenue from external customers**

	European Union	North America	Mainland China	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2010					
Segment revenue:					
Sales to external customers	1,110,955	1,287,615	830,401	492,937	3,721,908
Year ended 31 December 2009					
Segment revenue:					
Sales to external customers	928,419	1,000,194	730,129	373,493	3,032,235

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

(b) **Non-current assets**

Since all non-current assets, other than deferred tax assets, from continuing operations are located in Mainland China, no geographical information for non-current assets is presented.

Information about a major customer

Details of sales to a major customer accounting for 10% or more of total net sales of the Group are as follows:

	2010	**2009**
	(HK$'000)	*(HK$'000)*
Continuing operations:	1,579,842	1,524,322

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

5. REVENUE AND OTHER INCOME

An analysis of revenue and other income from continuing operations is as follows:

	2010	2009
	(HK$'000)	*(HK$'000)*
Revenue:		
Sales of goods	3,721,908	3,032,235
Other income:		
Government grants	7,733	5,706
Gain on sales of raw materials	9,708	6,051
Gain on sales of scrap materials	7,424	7,534
Compensation income	4,711	2,757
Service fee income	1,508	1,924
Others	1,767	1,133
Total	32,851	25,105

6. FINANCE INCOME

	2010	2009
	(HK$'000)	*(HK$'000)*
Continuing operations:		
- Interest income on bank deposits	1,163	1,373

7. FINANCE COSTS

	2010	2009
	(HK$'000)	*(HK$'000)*
Continuing operations:		
- Interest expense on bank loans and borrowings	18,341	14,415

8. PROFIT BEFORE TAX

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

	2010	**2009**
	(HK$'000)	*(HK$'000)*
Cost of inventories recognized as expenses	3,085,972	2,573,906
Cost of service provided	877	1,095
Depreciation of property, plant and equipment	69,445	60,766
Amortization of intangible assets	2,827	3,300
Amortization of land lease payment	1,798	876
Research and development costs	79,421	55,336
Lease payments under operating leases in respect of properties	29,471	24,997
Auditors' remuneration	7,490	1,873
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	560,198	487,209
Pension scheme contributions	20,506	13,295
	580,704	500,504
Net foreign exchange losses	13,321	192
Provision for impairment of receivables	604	3,392
Write-down of inventories	62	8,092
Product warranty	11,968	19,449
Fair value loss on derivative financial instruments	2,885	175
Loss on disposal of items of property, plant and equipment	634	1,427
Bank interest income	1,163	1,373

9. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. In 2009, no Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong.

State income tax and federal income tax of the Group's subsidiary in the United States have been provided for at a rate of state income tax and federal income tax on the estimated assessable profits of the subsidiary during the year. The state income tax rates are 8.5% and 9.5% in the respective states where the subsidiary operates, and the federal income tax rate ranges from 15% to 39% on a progressive basis.

The Group's subsidiary registered in Japan is subject to income tax based on the taxable income at the rate ranging from 20.7% to 35.3% on a progressive basis. In 2009, no income tax in Japan has been provided as there was no taxable income.

The Group's subsidiaries registered in Netherland are subject to income tax based on the taxable income at the rate ranging from 20% to 25.5% on a progressive basis. In 2009, no income tax in Netherland has been provided as there was no taxable income.

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

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in charge in the PRC, one of the Group's subsidiaries, Goodbaby Child Products Co., Ltd. ("GCPC"), is qualified as a "High and New Technology Enterprise" and was subject to a preferential tax rate of 15% from 2008 to 2010.

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

	Group	
	2010	**2009**
	(HK$'000)	*(HK$'000)*
Current income tax - PRC		
- Income tax for the year	43,361	38,189
- Overprovision in prior years	—	(769)
	43,361	37,420
United States state and federal income tax	226	2,004
Japan income tax	14	—
Netherland income tax	71	—
Hong Kong profits tax	2,495	—
Deferred income tax	(3,225)	997
Income tax expense reported in the statement of comprehensive income	42,942	40,421

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

	2010	2009
	(HK$'000)	*(HK$'000)*
Profit before tax from continuing operations	246,132	204,783
Expected income tax on profit before tax, calculated at the applicable tax rate concerned @ 25%	61,533	51,196
Lower tax rate for specific provision	(26,555)	(19,863)
Tax loss utilized	(1,317)	—
Tax losses not recognized for deferred tax assets	—	1,307
Deferred tax liability on withholding tax	8,349	9,979
Tax credit arising from additional deduction of R&D expenditures of a PRC subsidiary	(5,117)	(3,542)
Non-taxable income	(2,728)	—
Overprovision in prior years	—	(769)
Non-deductible expenses	8,777	2,113
Income tax expense	42,942	40,421

10. DIVIDENDS

	2010	2009
	(HK$'000)	*(HK$'000)*
Dividend declared to the then equity holder	406,505	—
Final dividend proposed subsequent to the reporting period — HK5 cents per ordinary share	50,000	—
Net	456,505	—

On 31 July 2010, the Company declared a special dividend to the then equity holder of the Company amounting to HK$406,505,000 (HK$14.89 per share), of which, HK$395,135,000 was settled through the reduction in an amount due from a related party.

The final dividend proposed subsequent to the reporting period has not been recognized as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 819,926,027 in issue during the year ended 31 December 2010 (2009: 799,000,000), as adjusted to reflect the capitalization issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2009 and 2010 includes the pro forma issued share capital of the Company of 799,000,000 shares, comprising:

i) 27,300,000 issued and fully paid; and

ii) the capitalization issue of 771,700,000 shares.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2010 includes the weighted average of 20,926,027 shares issued upon the listing of the Company's shares on the Stock Exchange on 24 November 2010 in addition to the aforementioned 799,000,000 ordinary shares.

The calculations of basic earnings per share are based on:

	2010	**2009**
	(HK$'000)	*(HK$'000)*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	200,746	162,809
From a discontinued operation	(49,821)	(100,064)
	150,925	62,745
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	819,926,027	799,000,000

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2010 as the group had no potentially dilutive ordinary shares in issue during the year.

12. INVENTORIES

	2010	**2009**
	(HK$'000)	*(HK$'000)*
Raw materials	169,067	131,869
Work in progress	84,491	51,737
Finished goods	317,751	627,525
	571,309	811,131

13. TRADE AND NOTES RECEIVABLES

	2010	**2009**
	(HK$'000)	*(HK$'000)*
Trade receivables	493,714	584,481
Notes receivable	13,026	7,983
	506,740	592,464
Impairment of the trade receivables	(429)	(6,477)
	506,311	585,987

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

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

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

	2010	**2009**
	(HK$'000)	*(HK$'000)*
Within 3 months	479,280	550,534
3 to 6 months	9,261	24,287
6 months to 1 year	4,584	2,744
Over 1 year	160	439
	493,285	578,004

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

	2010	**2009**
	(HK$'000)	*(HK$'000)*
At beginning of year	6,477	2,608
(Reversal of impairment)/impairment for the year	(620)	4,963
Amounts written off	(5,288)	(1,094)
Disposal of a discontinued operation	(140)	—
At end of year	429	6,477

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

	2010	2009
	(HK$'000)	*(HK$'000)*
Neither past due nor impaired	457,264	545,263
Less than 1 month past due	24,041	20,158
1 to 2 months past due	7,300	6,797
2 to 3 months past due	1,953	3,045
Over 3 months and within 1 year past due	2,727	2,741
At end of year	493,285	578,004

Receivables that were neither past due nor impaired relate 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 believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The carrying amounts of the trade and notes receivables approximate to their fair values due to their short term maturity.

14. TRADE AND NOTES PAYABLES

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

	2010	2009
	(HK$'000)	*(HK$'000)*
Within 3 months	594,236	734,226
3 to 12 months	87,069	27,473
1 to 2 years	2,174	5,009
2 to 3 years	872	2,208
Over 3 years	829	3,521
	685,180	772,437

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

15. INTEREST—BEARING BANK BORROWINGS

	2010			2009		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Unsecured bank loans	4.37-4.86	2011	167,149	4.37-4.78	2010	56,786
Bank borrowings pledged by intra-group trade receivables	1.05-1.06	2011	152,441	1.05-1.06	2010	70,901
Subtotal			319,590			127,687
Non-current						
Unsecured bank loans	4.86	2012	152,779	4.86	2012	374,787
Total			472,369			502,474

All short-term bank borrowings were obtained from third party financial institutions. As at 31 December 2010, a subsidiary had pledged trade receivables of approximately HK$167,162,000 (2009: HK$74,868,000) to secure certain of the Group's bank loans and these trade receivables had been eliminated on group level.

	2010 *(HK$'000)*	**2009** *(HK$'000)*
Analyzed into:		
Bank loans repayable:		
Within one year	319,590	127,687
In the second year	152,779	—
In the third to fifth years, inclusive	—	374,787
	472,369	502,474

The carrying amounts of the Group's current interest-bearing bank borrowings approximate to their fair value due to short term maturity.

The carrying amount of the Group's long term borrowings approximates to their fair value because of the floating interest rate.

MANAGEMENT DISCUSSION AND ANALYSIS — Continuing Operations

OVERVIEW

2010 was a challenging year. We faced the mixture of weaker demand from overseas markets and accelerating pace of growth and evolution in China market. Although gradually recovering from financial crisis, our overseas markets, especially developed markets, remained sluggish in 2010 and experienced contraction in the second half of 2010 as a result of the European sovereign debt crisis. On the other hand, China market kept strong growth momentum with ongoing distribution channel transformation. Traditional channels including department stores and hypermarkets grew at a relative slower rate while the emergence of maternity and childcare specialty store channel grew at a higher speed.

Despite a volatile year, 2010 remained as a successful year for the Group on multiple fronts:

- In April 2010, we were honored to become the special sponsor of children's strollers for the Shanghai World Expo and to provide high quality products to visitors from all over the world. Our vision of innovation and product excellence resonated well with the theme of the Shanghai World Expo. The sponsorship with the Shanghai World Expo is a demonstration of Group's industry leadership and the brand's international recognition.

- In May 2010, our "Cradle to Cradle" project, which we had developed for years, was granted the "Most Innovative Project" in the Holland Knowledge Inc. VIP Days (知識公司貴賓週) held at the Netherlands Pavilion during the Shanghai World Expo.

- In October 2010, we were honored with the "China Quality Award" (全國質量獎) - a national award for enterprises in the PRC, which represented a high recognition and appreciation for our outstanding achievement in building "Excellent Performance Management" (卓越績效管理) system.

- One of our 2010 products won the "Red Dot Design Award", which is regarded as "the Oscars" of the design industry, evidencing that our strength in research and development has been highly recognized by international associations.

For the year ended 31 December 2010, the Company recorded revenue of approximately HK$3,721.9 million, representing an increase of 22.7% from 2009. Gross profit was approximately HK$742.6 million, representing an increase of 30.5% from 2009. Profit reached approximately HK$203.2 million, up 23.6% over 2009; or HK$235.5 million excluding related expenses of the Company's initial public offering on the Stock Exchange, an increase of 43.2% over the previous year.

In 2010, we steadily increased our market share through strong capabilities in product innovation, and continued to implement diversification strategy by penetrating into new markets and introducing new products. With regard to the distribution channel transformation in China market, we expanded our footprint in the maternity and childcare specialty stores channel by holding provincial procurement exhibitions and strategically establishing in-depth distribution management system. In order to manage the increase in raw materials prices, labour costs as well as the Renminbi appreciation, we continuously improved our operational efficiency and developed further subcontracting, while accelerating products innovation, so as to effectively control costs.

Focusing on the consolidation of the Company's leading position in the industry, we have made important headways under our long-term strategic plan. We established Goodbaby Hong Kong R&D Center, our fifth global research and development center. We also launched the new logo "gb" as part of our international rebranding plan. By cooperating with Professor Michael Braungart, the founder of "Cradle to Cradle" idea, we were the first to carry out the green development model of "Cradle to Cradle" in the global durable juvenile products industry. In addition, the successful initial public offering on the Stock Exchange on 24 November 2010 provided us with a fully-integrated financial platform to support our future development.

We believe market conditions overseas will continue to be uncertain, however we will continue to execute our established strategies as mentioned in the Company's prospectus dated 11 November 2010 and endeavor to achieve higher growth and better operating results.

FINANCIAL REVIEW — Continuing operations

Revenue

Our total revenue increased by 22.7% from HK$3,032.2 million for the year ended 31 December 2009 to HK$3,721.9 million for the year ended 31 December 2010. This increase is due to the Group's diversification strategy in markets and products.

Revenue by Geographical Region

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

	For the year ended December 31,				Growth analysis
	2010		2009		2010 vs 2009
	Sales (HK$ million)	*% of sales*	*Sales* (HK$ million)	*% of sales*	*Growth*
Our European Market[2]	1,111.0	29.9%	928.4	30.6%	19.7%
North America[2]	1,287.6	34.6%	1,000.2	33.0%	28.7%
China	830.4	22.3%	730.1	24.1%	13.7%
Other Overseas[2] Markets	492.9	13.2%	373.5	12.3%	32.0%
Total	3,721.9	100.0%	3,032.2	100.0%	22.7%

Revenue from our European market increased by 19.7% to HK$1,111.0 million for the year ended 31 December 2010 from HK$928.4 million for the year ended 31 December 2009. This increase was attributable to the overall increase in sales of all product lines.

Revenue from North America increased by 28.7% to HK$1,287.6 million for the year ended 31 December 2010 from HK$1,000.2 million for the year ended 31 December 2009. This increase was primarily attributable to the increase in sales in other durable juvenile products and car seats and accessories.

Revenue from China increased by 13.7% to HK$830.4 million for the year ended 31 December 2010 from HK$730.1 million for the year ended 31 December 2009. This increase was primarily attributable to the increase in sales in strollers and accessories and ride-ons.

Revenue from other overseas markets increased by 32.0% to HK$492.9 million for the year ended 31 December 2010 from HK$373.5 million for the year ended 31 December 2009. This increase was primarily attributable to the overall increase in sales of all product lines.

2. For purposes of this announcement, references to "our European market" mean countries in Europe to which we sell our products, which were Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden and the U.K. "North America" mean the United States and Canada, "other overseas markets" mean overseas markets other than North America and our European market, including markets such as South America, Southeast Asia, the Middle East, Japan, Russia and India.

Revenue by Products

The table below sets out our revenue by products line for the periods indicated.

	For the year ended December 31,				Growth analysis
	2010		2009		2010 vs 2009
	Sales (HK$ million)	*% of sales*	*Sales* (HK$ million)	*% of sales*	*Growth*
Strollers and accessories	1,825.3	49.1%	1,609.3	53.1%	13.4%
Car seats and accessories	473.6	12.7%	375.8	12.4%	26.0%
Other durable juvenile products	1,423.0	38.2%	1,047.1	34.5%	35.9%
Total	3,721.9	100.0%	3,032.2	100.0%	22.7%

Revenue from strollers and accessories increased by 13.4% to HK$1,825.3 million for the year ended 31 December 2010 from HK$1,609.3 million for the year ended 31 December 2009. This increase was attributable to the overall increase in all geographical regions. In particular, revenue from other overseas markets increased by 34.7% and revenue from China increased by 17.7%.

Revenue from car seats and accessories increased by 26.0% to HK$473.6 million for the year ended 31 December 2010 from HK$375.8 million for the year ended 31 December 2009. This increase was attributable to the overall increase in all geographical regions. In particular, revenue from North America increased by 36.7%.

Revenue from other durable juvenile products increased by 35.9% to HK$1,423.0 million for the year ended 31 December 2010 from HK1,047.1 million for the year ended 31 December 2009. This increase was attributable to the overall increase in all geographical regions. In particular, revenue from North America increased by 66.3%.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by 20.9% from HK$2,463.4 million for the year ended 31 December 2009 to HK$2,979.3 million for the year ended 31 December 2010. This increase was primarily due to the increased sales and production driven by higher demand for our products, as well as the increase in our labor costs. Our labor costs increased as a percentage of our cost of sales from 9.6% for the year ended 31December 2009 to 11.6% for the year ended 31 December 2010, primarily because we increased the number of our employees engaged in production and incurred additional wage expenses due to wage increases in China. As a percentage of sales, our cost of sales decreased from 81.2% for the year ended 31 December 2009 to 80.0% for the year ended 31 December 2010. Although there was an increase in our labor costs, this increase was partially offset by our savings in raw materials and overhead costs, which was primarily driven by improved efficiencies in our manufacturing processes and our supply chain management system.

As a result of the foregoing, our gross profit increased by 30.5% from HK$568.9 million for the year ended 31 December 2009 to HK$742.6 million for the same period in 2010. Our gross profit margin increased from 18.8% for the year ended 31 December 2009 to 20.0% for the same period in 2010, primarily as a result of the following:

Overseas markets

For our overseas markets, our gross profit margin for strollers and accessories and car seats and accessories remained relatively stable for the year ended 31 December 2009 and 2010. Our gross profit margin for other durable juvenile products increased from 10.9% for the year ended 31 December 2009 to 13.0% for the year ended 31 December 2010, primarily attributable to our cost savings from the production of these products, due to our improved efficiency of management and control of the production facilities.

China

In China, our gross profit margin for strollers and accessories increased from 24.8% for the year ended 31 December 2009 to 30.2% for the year ended 31 December 2010. The gross profit margin for bicycles, tricycles and e-cars increased from 15.6% for the year ended 31 December 2009 to 19.3% for the year ended 31 December 2010. Our gross profit margin for the other durable juvenile products increased from 14.9% for the year ended 31 December 2009 to 22.2% for the year ended 31 December 2010. The increase in gross profit margin for all of our products, was primarily attributable to higher selling prices of our products as well as our cost savings that we derived from our selective outsourcing of production of our products.

Other Income

Our other income increased by 31.1% from HK$25.1 million for the year ended 31 December 2009 to HK$32.9 million for the year ended 31 December 2010. Our other income was higher in the year ended 31 December 2010 due to an increase in the gain on sales of raw materials of HK$3.7 million and an increase in compensation income of HK$2.0 million, which represented compensation received from our customers as a result of cancellation of orders and suppliers as a result of defective products or shipment delay in the normal course of business.

Selling and distribution costs

Our selling and distribution costs primarily consist of promotion, salary and transportation.

Our selling and distribution costs increased by 36.6% to HK$246.0 million for the year ended 31 December 2010 from HK$180.1 million for the year ended 31 December 2009. The increase in our selling and distribution costs was primarily as a result of: (i) an increase of HK$21.1 million in transportation expenses, which was primarily attributable to an increase in sales for the year ended 31 December 2010 as well as an increase in the transportation charges which was primarily due to higher terminal handling charges; (ii) an increase of HK$18.8 million of salary expenses, which was primarily due to wage increases in China as well as additional employees engaged for in-depth distribution management; and (iii) an increase in promotion expenses of HK$23.2 million. As a percentage of sales, selling and distribution costs increased to 6.6% for the year ended 31 December 2010 from 5.9% for the year ended 31 December 2009.

Administrative Expenses

Our administrative expenses primarily consist of salary, research and development, and professional expenses.

Our administrative expenses increased from HK$176.0 million for the year ended 31 December 2009 to HK$245.5 million for the year ended 31 December 2010. The increase is primarily a result of: (i) an increase of professional expenses of HK$27.8 million, mainly attributable to expenses in connection with the initial public offering of the Company; (ii) an increase in market research and products research and development expenses of HK$24.1 million; and (iii) an increase of salary expenses of HK$9.0 million, mainly attributable to the wage increases in China.

Other Expenses

Our other expenses for the year ended 31 December 2010 is HK$20.6 million while HK$20.0 million is for the same period in 2009.

Operating profit

Our operating profit increased by 20.9% to HK$263.3 million for the year ended 31 December 2010 from HK$217.8 million for the year ended 31 December 2009. The increase in our operating profit was primarily as a result of the factors described above.

Finance income

Our finance income decreased by 14.3% to HK$1.2 million for the year ended 31 December 2010 from HK$1.4 million for the year ended 31 December 2009.

Finance Cost

Our finance costs increased by 27.1% to HK$18.3 million for the year ended 31 December 2010 from HK$14.4 million for the year ended 31 December 2009. This increase was primarily due to more bank loans utilized during the year.

Profit Before Tax

As a result of the foregoing, our profit before tax from our continuing operations (representing the sum of gross profit, other income, administrative expenses, selling and distribution costs, other expenses, finance costs and finance income) increased from HK$204.8 million for the year ended 31 December 2009 to HK$246.1 million for the year ended 31 December 2010, an increase of 20.2% over that of 2009.

Income Tax Expense

Our income tax expenses increased by 6.2% from HK$40.4 million for the year ended 31 December 2009 to HK$42.9 million for the year ended 31 December 2010. At the same time, our effective tax rate decreased to 17.4% for the year ended 31 December 2010 from 19.7% for the year ended 31 December 2009, primarily as a result of (i) increase in profit before tax in one of the Company's PRC subsidiaries, which enjoy lower income tax rate, (ii) an increase in research and development expenses for the year ended 31 December 2010, which gave an extra tax benefit.

Profit for the Year

Our profit for the year ended 31 December 2010 was HK$203.2 million, representing an increase of 23.6% over the profit of HK$164.4 million for the year ended 31 December 2009.

Working capital and financial resources

	As of December 31,	
	2010	**2009**
Trade receivables	493.7	584.5
Trade and notes payables	685.2	772.4
Inventories	571.3	811.1
Trade receivables turnover days	53	61
Trade and notes payables turnover days	89	104
Inventories turnover days	85	123

The decrease of HK$90.8 million in our trade receivables balance from HK$584.5 million as of 31 December 2009 to HK$493.7 million as of 31 December 2010 is primary due to the carve out of a discontinued operation during the seven months ended 31 July 2010 resulting in a reduction of HK$82.6 million.

The decrease of HK$87.2 million in our trade and notes payables balance from HK$772.4 million as of 31 December 2009 to HK$685.2 million as of 31 December 2010 was primarily due to the carve out of a discontinued operation during the seven months ended 31 July 2010 resulting in a reduction of HK$139.1 million. This decrease is partially offset by the increase in trade payables due to the increase in business volume.

The decrease of HK$239.8 million in our inventories balance from HK$811.1 million as of 31 December 2009 to HK$571.3 million as of 31 December 2010 was primarily due to the carve out of a discontinued operation during the seven months ended 31 July 2010 resulting in a reduction of HK$412.0 million. This reduction in inventories was partially offset by the increase in inventories due to the increase in business volume.

Contingent liabilities

As at 31 December 2010, the Group had no contingent liabilities.

Exchange rate fluctuations

Our sales are mainly denominated in U.S. dollars and Renminbi. Our cost of sales and operating expenses are mainly denominated in Renminbi. Approximately 77.7% of our revenue for the year ended 31 December 2010 was denominated in U.S. dollars. The Renminbi appreciated 3.0% against the U.S. dollar for the year ended 31 December 2010. Our profit margins will be negatively affected to the extent that we are unable to increase the U.S. dollar selling prices of the products we sell to our overseas customers to offset any appreciation of the Renminbi against the U.S. dollar.

OTHER INFORMATION

Employee and Remuneration policies

As of 31 December 2010, the Group had an aggregate of 16,169 full-time employees. Employee costs, excluding directors' emoluments, totalled HK$567.7 million for the year of 2010. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. The Group operates a defined contribution mandatory provident fund retirement benefits for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

The Company has also adopted a share option scheme on 5 November 2010. During the year, no share option was granted.

Use of Proceeds from Initial Public Offering

On 24 November 2010, the Company's shares were listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and raised net proceeds of approximately HK$894.3 million. As at 31 December 2010, the Company has used approximately HK$89.5 million from such proceeds as working capital. The balance of the un-utilized proceeds, deposited in normal interest bearing saving accounts, will be applied by the Company as stated in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 11 November 2010.

Final Dividend

At the Board meeting held on 18 March 2011, it was proposed that a final dividend of HK$0.05 per ordinary share representing a total distribution of HK$50.0 million be paid on 3 June 2011 to the shareholders of the Company whose names appear on the Company's register of members on 20 May 2011. The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 20 May 2011.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

Annual General Meeting

The annual general meeting of the Company will be held on 20 May 2011 (Friday). A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

Book Close Period

The Company's register of members will be closed from 13 May 2011 (Friday) to 20 May 2011 (Friday) (both days inclusive), during which time no transfer of shares will be registered. To ensure that shareholders are entitled to receive the distribution of final dividends to be approved at the Company's annual general meeting and be entitled to attend and vote at the annual general meeting, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 12 May 2011 (Thursday) for registration of the relevant transfer.

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain high corporate governance standard and complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. Since the date of listing of the Company up to and including 31 December 2010, the Board is of the view that the Company has complied with the code provisions on the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules except for the following deviation:

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

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

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2010.

Purchase, Sale and Re-purchase of Shares

There was no purchase, sale and re-purchase of any listed securities of the Company by the Company or any of its subsidiaries for the year ended 31 December 2010.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the main board of the Stock Exchange on 24 November 2010, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors, they have confirmed that they complied with the required standard set out in the Model Code since the date of the listing of the Company up to and including 31 December 2010.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") consists of Messrs. Iain Ferguson Bruce, Shi Xiaoguang, and Long Yongtu, all of whom are the independent non-executive Directors. The chairman of the audit committee is Mr. Iain Ferguson Bruce. The annual results for the year ended 31 December 2010 of the Company have been reviewed by the Audit Committee.

Appreciation

The chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to each and every one of the staff of the Group for their hard work and loyalty to the Group.

Publication of Annual Report

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.gbinternational.com.hk). The annual report of the Company for the year ended 31 December 2010 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 18 March 2011

As at the date of this announcement, the executive Directors are Mr. Song Zhenghuan and Mr. Wang Haiye; the non-executive Directors are Mr. Christopher Marcus Gradel and Ms. Chiang Yun; and the independent non-executive Directors are Mr. Iain Ferguson Bruce, Mr. Long Yongtu and Mr. Shi Xiaoguang.