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 2011

Financial Highlights - Continuing Operations

- Revenue for the year ended 31 December 2011 was approximately HK$3,941.7 million, increased by approximately 5.9% as compared with approximately HK$3,721.9 million for the corresponding period in year 2010;
- Gross profit for the year ended 31 December 2011 was approximately HK$673.7 million, decreased by approximately 9.3% as compared with approximately HK$742.6 million for the corresponding period in year 2010, which translated to a gross profit margin of approximately 17.1% for the year ended 31 December 2011 as compared with approximately 20.0% for the corresponding period in the year 2010; and
- Profit for the year ended 31 December 2011 was approximately HK$177.7 million, decreased by approximately 12.5% as compared with approximately HK$203.2 million for the corresponding period in year 2010, which translated to a profit margin of approximately 4.5% for the year ended 31 December 2011 as compared with approximately 5.5% for the corresponding period in the year 2010.

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 2011, together with the comparative figures for the year ended 31 December 2010, 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 2011

	Notes	**2011** *(HK$'000)*	**2010** *(HK$'000)*
Continuing operations			
Revenue	4,5	3,941,672	3,721,908
Cost of sales		(3,267,990)	(2,979,349)
Gross profit		673,682	742,559
Other income and gains	5	106,109	32,851
Selling and distribution costs		(271,309)	(246,002)
Administrative expenses		(301,080)	(245,505)
Other expenses		(5,729)	(20,593)
Operating profit		201,673	263,310
Finance income	6	3,749	1,163
Finance costs	7	(11,617)	(18,341)
Profit before tax from continuing operations	8	193,805	246,132
Income tax expense	9	(16,117)	(42,942)
Profit for the year from continuing operations		177,688	203,190
Discontinued operation			
Loss after tax for the year from a discontinued operation		—	(52,237)
Profit for the year		177,688	150,953

	Notes	2011 (HK$'000)	2010 (HK$'000)
Other comprehensive income			
Exchange differences on translation		38,883	15,844
Total comprehensive income for the year, net of tax		216,571	166,797
Profit for the year attributable to:			
Owners of the parent		176,915	150,925
Non-controlling interests		773	28
		177,688	150,953
Total comprehensive income attributable to:			
Owners of the parent		214,503	165,871
Non-controlling interests		2,068	926
		216,571	166,797
Earnings per share attributable to ordinary equity holders of the parent:	11		
Basic and diluted			
- For profit for the year (HK$)		0.18	0.18
- For profit from continuing operations (HK$)		0.18	0.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	**2011** *(HK$'000)*	**2010** *(HK$'000)*
NON-CURRENT ASSETS			
Property, plant and equipment		640,087	538,491
Investment property		—	—
Prepaid land lease payments		70,595	67,118
Intangible assets		38,082	30,836
Deferred tax assets		15,153	15,912
Total non-current assets		763,917	652,357
CURRENT ASSETS			
Inventories	12	676,767	571,309
Trade and notes receivables	13	642,427	506,311
Prepayments and other receivables		166,296	178,243
Due from related parties		119,529	76,945
Cash and cash equivalents		788,356	1,024,722
Derivative financial instruments		13,947	—
Total current assets		2,407,322	2,357,530
CURRENT LIABILITIES			
Trade and notes payables	14	857,302	685,180
Other payables, advances from customers and accruals		236,731	265,924
Interest-bearing bank borrowings	15	326,498	319,590
Derivative financial instruments		—	2,885
Due to related parties		—	649
Income tax payable		9,649	9,732
Provision		12,938	23,922
Dividends payable		1	—
Total current liabilities		1,443,119	1,307,882
NET CURRENT ASSETS		964,203	1,049,648
TOTAL ASSETS LESS CURRENT LIABILITIES		1,728,120	1,702,005

	Notes	2011	2010
		(HK$'000)	*(HK$'000)*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	—	152,779
Deferred tax liabilities		20,672	8,349
Total non-current liabilities		20,672	161,128
Net assets		1,707,448	1,540,877
EQUITY			
Equity attributable to owners of the parent			
Issued capital		10,000	10,000
Reserves		1,619,602	1,455,099
Proposed final dividend		50,000	50,000
		1,679,602	1,515,099
Non-controlling interests		27,846	25,778
Total equity		1,707,448	1,540,877

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 Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 November 2010.

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

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 reorganisation (the "Reorganisation") to rationalise 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 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 was not transitory, the acquisition of PCPC was accounted for using the pooling of interest method as if PCPC were the Group's subsidiary since 1 January 2009. Accordingly, the assets, liabilities and results of operations of PCPC were included in the preparation of the consolidated financial statement of the Group since 1 January 2009. Details of the Reorganisation 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 are 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 2011. 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, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. Total comprehensive income 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 derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate.

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.

IAS 1 Financial Statement Presentation — Presentation of Items of Other Comprehensive Income ("OCI")

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes — Recovery of Underlying Assets

The amendments clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment is deemed to have no impact on the financial statements of the Company. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 Employee Benefits as revised in 2011

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly-controlled entities, and associates in separate financial statements. The Company does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment removes the option to account for joint ventures of the Company using proportionate consolidation and requires the Company to account for its investment in joint venture using the equity method. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendments require additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have no impact on classification and measurements of the Company's financial assets and financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The application of this new standard will not impact the financial position of the Company. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard requires the Company to account for its investment in JCE that meet the definition of a joint venture using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The application of this new standard will not impact the financial position of the Company. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

The Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Company considers that these new and revised IFRSs are unlikely to have a significant impact on the Company's results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised 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 of strollers; and

(d) Domestic — Other durable juvenile products segment, which engages in the sourcing and distributing of 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 2011	Overseas			Domestic			Consolidated
	HK$'000			*HK$'000*			*HK$'000*
	Strollers and accessories	*Other durable juvenile products*	*Subtotal*	*Strollers and accessories*	*Other durable juvenile products*	*Subtotal*	
Segment revenue:							
Sales to external customers	1,514,031	1,426,815	2,940,846	419,536	581,290	1,000,826	3,941,672
Intersegment sales	169,263	276,359	445,622	—	—	—	445,622
			3,386,468			1,000,826	4,387,294
Reconciliation:							
Elimination of intersegment sales							(445,622)
Revenue from continuing operations							3,941,672
Cost of sales							(3,267,990)
Other income and gains							106,109
Operating costs							(572,389)
Other expenses							(5,729)
Finance income/(costs) - net							(7,868)
Profit before tax from continuing operations							193,805

Year ended 31 December 2010	Overseas			Domestic			Consolidated
		HK$'000			*HK$'000*		*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 and gains							32,851
Operating costs							(491,507)
Other expenses							(20,593)
Finance income/(costs) - net							(17,178)
Profit before tax from continuing operations							246,132

Geographical information

(a) **Revenue from external customers**

	European Market	North America	Mainland China	Other Overseas Markets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2011					
Segment revenue:					
Sales to external customers	1,222,811	1,140,753	1,000,826	577,282	3,941,672
Year ended 31 December 2010					
Segment revenue:					
Sales to external customers	1,110,955	1,287,615	830,401	492,937	3,721,908

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:

	2011	2010
	(HK$'000)	*(HK$'000)*
Continuing operations:	1,587,018	1,579,842

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, OTHER INCOME AND GAINS

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

	2011 (HK$'000)	2010 (HK$'000)
Revenue:		
Sales of goods	3,941,672	3,721,908
Other income and gains:		
Net foreign exchange gain	52,856	—
Government grants (note (a))	21,507	7,733
Gain on sales of materials	8,031	17,132
Compensation income (note (b))	3,261	4,711
Service fee income (note (c))	2,649	1,508
Fair value gains on derivative financial instruments - transactions not qualifying as hedges	13,947	—
Others	3,858	1,767
Total	106,109	32,851

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

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

Note (c): In 2011, the amount represents the service fee income for information technology services provided to third parties.

6. FINANCE INCOME

	2011 (HK$'000)	2010 (HK$'000)
Continuing operations:		
- Interest income on bank deposits	3,749	1,163

7. FINANCE COSTS

	2011 (HK$'000)	2010 (HK$'000)
Continuing operations:		
- Interest expense on bank loans and borrowings	11,617	18,341

8. PROFIT BEFORE TAX

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

	2011 (HK$'000)	2010 (HK$'000)
Cost of inventories recognised as expenses	3,477,403	3,085,972
Cost of service provided	3,606	877
Depreciation of items of property, plant and equipment	73,194	69,445
Amortisation of intangible assets	2,680	2,827
Amortisation of land lease payment	2,793	1,798
Research and development costs ("R&D")	118,479	79,421
Lease payments under operating leases in respect of properties	25,215	29,471
Auditors' remuneration (note (a))	4,247	7,490
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	678,397	560,198
Pension scheme contributions	22,978	20,506
	701,375	580,704
Net foreign exchange (gains)/losses	(52,856)	13,321
Recognition/(reversal) for impairment of receivables	245	(604)
Write-down of inventories	1,032	62
Product warranty	1,864	11,968
Fair value (gains)/losses on derivative financial instruments	(13,947)	2,885
Loss on disposal of items of property, plant and equipment	1,732	634
Bank interest income	3,749	1,163

Note (a): Auditors' remuneration for the year ended 31 December 2010 included a fee of HK$4,393,000 related to the listing of the Company's shares on the Stock Exchange.

9. INCOME TAX

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

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

State income tax and federal income tax of the Group's subsidiary in the United States have been provided for at 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 rates ranging from 20.7% to 35.3% on a progressive basis. In 2011, no income tax in Japan has been provided as there was no taxable income.

The Group's subsidiaries registered in the Netherlands are subject to income tax based on the taxable income at rates ranging from 20% to 25.5% on a progressive basis.

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

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in the PRC, one of the Group's subsidiaries, Goodbaby Child Products Co., Ltd. ("GCPC"), continued to be qualified as a "High and New Technology Enterprise" and was subject to a preferential tax rate of 15% from 2011 to 2013.

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

	2011 (HK$'000)	2010 (HK$'000)
Current income tax - PRC		
- Income tax for the year	3,516	43,361
- Over-provision in prior years (note (a))	(12,330)	—
	(8,814)	43,361
United States state and federal income tax	2,013	226
Japan income tax	—	14
Netherlands income tax	59	71
Hong Kong profits tax	9,681	2,495
Deferred income tax	13,178	(3,225)
Income tax expense reported in the statement of comprehensive income	16,117	42,942

Note (a): In 2011, the board of directors of an indirect wholly-owned domestic subsidiary of the Company resolved to reduce the profit appropriation previously declared in 2010 but has not been paid to a Hong Kong incorporated and wholly-owned subsidiary of the Company, by RMB100,000,000. This resulted in a credit of RMB10,000,000 (equal to approximately HK$12,335,000) in the current year's income tax expense of the Group.

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:

	2011 **(HK$'000)**	**2010** **(HK$'000)**
Profit before tax from continuing operations	193,805	246,132
Expected income tax on profit before tax, calculated at the applicable tax rate of 25%	48,452	61,533
Lower tax rate for specific provision	(15,233)	(26,555)
Tax loss utilised	—	(1,317)
Tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	(9,771)	(5,117)
Over-provision in prior years	(12,330)	—
Non-taxable income	(5,152)	(2,728)
Non-deductible expenses	538	8,777
Deferred tax liability on withholding tax	9,613	8,349
Income tax expense	16,117	42,942

10. DIVIDENDS

	2011 *(HK$'000)*	**2010** *(HK$'000)*
Dividend declared to the then equity holder	—	406,505
Final dividend proposed subsequent to the reporting period — HK5 cents per ordinary share (2010: HK5 cents)	50,000	50,000
Net	50,000	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 recognised 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 1,000,000,000 in issue during the year (2010: 819,926,027).

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2010 and 2011 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 capitalisation 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:

	2011	**2010**
	(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	176,915	200,746
From a discontinued operation	—	(49,821)
	176,915	150,925
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,000,000,000	819,926,027

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2011 as the group had no potentially dilutive ordinary shares in issue during the year.

12. INVENTORIES

	2011 (HK$'000)	2010 (HK$'000)
Raw materials	251,186	169,067
Work in progress	79,138	84,491
Finished goods	346,443	317,751
	676,767	571,309

13. TRADE AND NOTES RECEIVABLES

	2011 (HK$'000)	2010 (HK$'000)
Trade receivables	616,135	493,714
Notes receivable	26,780	13,026
	642,915	506,740
Impairment of the trade receivables	(488)	(429)
	642,427	506,311

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

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

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

	2011 (HK$'000)	2010 (HK$'000)
Within 3 months	607,354	479,280
3 to 6 months	7,070	9,261
6 months to 1 year	1,202	4,584
Over 1 year	21	160
	615,647	493,285

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

	2011 (HK$'000)	2010 (HK$'000)
At beginning of year	429	6,477
Recognition/(reversal) of impairment for the year	245	(620)
Amounts written off	(186)	(5,288)
Disposal of a discontinued operation	—	(140)
At end of year	488	429

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

	2011 (HK$'000)	2010 (HK$'000)
Neither past due nor impaired	577,591	457,264
Less than 1 month past due	32,081	24,041
1 to 2 months past due	4,352	7,300
2 to 3 months past due	1,115	1,953
Over 3 months and within 1 year past due	508	2,727
At end of year	615,647	493,285

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 Group does not hold any collateral over these balances.

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:

	2011 **(HK$'000)**	**2010** **(HK$'000)**
Within 3 months	719,854	594,236
3 to 12 months	130,188	87,069
1 to 2 years	4,277	2,174
2 to 3 years	1,930	872
Over 3 years	1,053	829
	857,302	685,180

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

	2011			2010		
	Effective interest rate (%)	**Maturity**	**HK$'000**	**Effective interest rate (%)**	**Maturity**	**HK$'000**
Current						
Unsecured bank loans	3.66-6.26	2012	86,725	4.37 - 4.86	2011	167,149
Bank borrowings pledged by intra-group trade receivables	3.90-4.60	2012	239,773	1.05 - 1.06	2011	152,441
Subtotal			326,498			319,590
Non-current						
Unsecured bank loans	—	—	—	4.86	2012	152,779
Total			326,498			472,369

All short-term bank borrowings were obtained from third party financial institutions. As at 31 December 2011, a subsidiary had pledged trade receivables of approximately HK$256,835,000 (2010: HK$167,162,000) to secure certain of the Group's bank loans and these trade receivables had been eliminated at the group level.

	2011 (HK$'000)	**2010 (HK$'000)**
Analyzed into:		
Bank loans repayable:		
Within one year	326,498	319,590
In the second year, inclusive	—	152,779
	326,498	472,369

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

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

16. INVESTMENTS IN A JOINTLY-CONTROLLED ENTITY

Particulars of the jointly-controlled entity are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Kunshan Goodbaby Tommee Tippee Child Products Co., Ltd. ("GCTP")	US$300,000	PRC	51%	50%	51%	Distribution and sale of milk bottles, tableware and toys

GCTP is accounted for as a jointly-controlled entity because according to the joint venture contract, the Group can only appoint half of the board members of GCTP.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2011 *(HK$'000)*	2010 *(HK$'000)*
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	1,048	1,061
Non-current assets	1	3
Current liabilities	(36)	(49)
Net assets	1,013	1,015
Share of the jointly-controlled entity's results:		
Revenue	—	293
Cost of sales	—	(252)
	—	41
Total operating expenses	(52)	(16)
Tax	—	—
(Loss)/profit after tax	(52)	25

MANAGEMENT DISCUSSION AND ANALYSIS — Continuing Operations[Note 1]

OVERVIEW

For the financial year ended 31 December 2011, the Group recorded total revenue of approximately HK$3,941.7 million, representing an increase of approximately 5.9% from HK$3,721.9 million in 2010. Operating gross profit was approximately HK$673.7 million, representing a decrease of approximately 9.3% from HK$742.6 million in 2010. Profit for the year from continuing operations reached approximately HK$177.7 million, representing a decrease of approximately 12.5% from HK$203.2 million in 2010.

The slowdown in the growth in total revenue of the Group was mainly due to the decrease of approximately 11.4% in our revenue from North America[Note 2] as a result of the lower demand from one of major customer in the region. Our revenue derived from markets other than that of North America maintained double-digit growth, of which revenue from China[Note 2], European Market[Note 2] and Other Overseas Markets[Note 2] grew by approximately 20.5%, 10.1% and 17.1%, respectively. The decrease in both operating gross profit and net profit after tax of the Group was mainly due to the increase in the Company's expenses resulting from the rise in raw material prices, appreciation of Renminbi and increase in labor costs, which was partially offset by the increase in sales prices of our products and cost savings due to efficiency improvement.

In 2011, the Group steadily implemented its strategies, strengthened its market position and enhanced its corporate quality.

1. **Our China market experienced exuberant development**

    1) As the household income and living standard of urban residents in China kept improving, the durable juvenile product market in China entered into a period of rapid development. Strollers are rapidly becoming a necessity for

[Note 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. For more information regarding to the discontinued operations, please refer to the prospectus of the Company dated 11 November 2010.

[Note 2] For purposes of this announcement, all references to "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" means the United States and Canada, "Other Overseas Markets" mean overseas markets other than North America and European Market, including markets such as South America, Southeast Asia, Middle East, Japan, Russia and India. "China" means the People's Republic of China, excluding Taiwan, Hong Kong and Macao Special Administrative Region.

child-rearing families and there are increasing concerns from the public about traveling safety of children by taking car, contributing to the rapid and immense growth of the market of car safety seats for children. With the improving household conditions, household products for children have manifested its growth momentum. Leveraging on the strong position of the Group's brand in the China market, extensive geographic coverage and in-depth channel management, we were able to take the lead in the rapid development of the China market. In 2011, we experienced increase in our revenue from sales of strollers, revenue from sales of car safety seats and revenue from sales of other durable juvenile products (excluding ride-ons) in China by approximately 35.3%, 146.1% and 17.2%, respectively.

2) Our distribution management system continued to grow in maturity with the number of directly covered maternity and childcare specialty stores rising from 5,785 at the end of 2010 to 10,894 at the end of 2011, among which the number of maternity and childcare specialty stores of the Group has covered through in-depth distribution management system expanding from 4,725 at the end of 2010 to 7,000 at the end of 2011. During the year, we also deeply analyzed the distribution of maternity and childcare specialty stores in 24 provinces in China and looked into the vast majority of the retail outlets of the durable juvenile product market in the PRC, through which we collected valuable first-hand detailed information for our nation-wide exploration of the extremely diversified maternity and childcare specialty store channel.

3) The Group's brand position and market share was further improved. With strengthening branding strategies in 2011, growth rate of the Group's revenue from sales of products under the "好孩子Goodbaby" brand in the China market significantly improved from approximately 4.9% in 2010 (compared with 2009) to approximately 26.0% in 2011 (compared with 2010). Revenue from sales of products under the "小龍哈彼Happy Dino" brand, which has continued to stay ahead of the industry average, increased by approximately 16.8% (compared with 2010), and remained on a strong growth track.

2. **Full development of overseas market**

1) **Effective diversified strategy**

a) Product diversification: apart from the stroller operations, the Group was committed to the development of the car safety seat business and other durable juvenile product business. Revenue from sales of self-developed car safety seats increased substantially from approximately HK$33.5 million in 2010 to approximately HK$63.2 million in 2011, representing an increase of approximately 88.7%. Growth in revenue from sales of other durable juvenile products was recorded in all markets, in particular, revenue from the China market (excluding ride-ons), European Market and Other Overseas Markets increased by approximately 17.2%, 16.6% and 36.5%, respectively. Throughout the year, the Group launched 265 new items of car safety seats and other durable juvenile products and and 167 new products were under development. Although our revenue from North America decreased during the year, we made much progress on the improvement on product portfolios in response to the North America market. While our low-price products have occupied a significant position in the corresponding major retails channels, our new series of medium- to high-price products designed for the North America market have also launched through the corresponding major retails channels in the fourth quarter of 2011.

b) Market diversification: besides China, North America and European Market, the Group was also devoted to the development of its businesses in Other Overseas Markets. Despite the impacts of the severe earthquake in Japan, political turmoil in Middle East and North Africa as well as European sovereign debt crisis in Europe, all of which took place in 2011, we still achieved a double-digit growth of approximately 17.1% in Other Overseas Markets in 2011 as compared to 2010.

c) Customer diversification: during the European debt crisis, our diversified customer distribution in the European Market enabled the Group to take full advantage of its integrated strengths in the market. In 2011, the rapid growth in our revenue from other customers in the European Market effectively offset the slowdown of growth in revenue from one of major customer, resulting in an increase of approximately 10.1% in revenue from the European Market in 2011 as compared to 2010.

2) **Growth of both OPM and OBM[Note 3] models**

Despite the impact of a substantial decrease of approximately 11.4% in revenue from North America, we sustained satisfactory growth in the core businesses in overseas markets overall. Our revenue from OPM model increased by 4.2% and revenue from OBM model increased by approximately 11.3%.

a) Our OPM model was strengthened continuously. In 2011, our capability for independent development of "turnkey products" based on independent market research was steadily enhanced. There were 38 brand-new products launched into the market during the year and 95 brand-new products were under development as at the end of 2011. Our "emotion" series of products were honored with the Red Dot Design Award in 2010, following which, the E-pushchair Myotronic product of the Group won the same award again in March 2011, demonstrating the sustained recognition of our strengths in research and development ("R&D") by international organizations. Commencing from 2011, we shifted from customer-invested moulds investment in moulds by customers to own-invested moulds. For the year ended 31 December 2011, we invested in a total of 41 moulds of this kind, substantially strengthening our bargaining power in the value chain.

b) Our OBM model was systematically implemented in 2011, for which we successively initiated promotion of our own brands in other major overseas markets. We participated in a number of industry exhibitions held in Hong Kong, Ukraine, Japan, Russia and Seoul, respectively, to promote our own brands and was well received by the markets with improved brand awareness in Other Overseas Markets. Upon the establishment of our overseas market brand centre in 2010, we engaged Mr. Gregory E. Mansker, a senior seasoned marketing expert within our industry, in October 2011 as our chief executive officer for the overseas markets. We believe that his appointment will strengthen our team, facilitate the implementation of our "strategy-oriented, market-oriented and customer-oriented" strategy for overseas markets and strengthen our capability in brand promotion in Other Overseas Markets supplemented by the OPM model.

[Note 3:] Currently, our revenue from overseas markets comes from 3 main streams, namely: "Original Brand Manufacturer" ("OBM"), which are sales of self-developed products under the brands owned by the Group; "Original Product Manufacturer" ("OPM"), which are sales of self-developed products under our clients' brands; and "Original Equipment Manufacturer" ("OEM") , which are sales of products developed by clients under clients' brands. Among which, the OBM and OPM models are the core models of the Group. We have developed our OPM model in European Market and North America while the OBM model as the core model for Other Overseas Markets supplemented by the OPM model.

3. **Our core capability continued to improve**

1) Our leading R&D capability continued to develop in 2011. During the year, the Group launched a total of 486 new products, representing an increase of 28 products from 458 products in 2010. At the end of 2011, 293 new products were under development, an increase of 49 as compared to 2010. Continued launch of a large amount of new products strongly supported our all-round expansion in all markets.

2) In 2011, we continued to improve the efficiency of our production lines and upgraded our manufacturing technology. Supporting an overall growth of approximately 3.7% in sales revenue of the Group's inhouse produced products, the annual month-end average headcount of our production lines decreased by approximately 18.7% from 15,850 in 2010 to 12,888 in 2011, effectively alleviating the cost pressure brought about by the increase in unit labor costs.

3) Expansion of our outsourcing operations continued in 2011. Finished products manufactured by way of outsourcing as a percentage of total products increased from approximately 15.2% in 2010 to approximately 17.5% in 2011, and accessories manufactured by way of outsourcing as a percentage of total products increased from approximately 43.3% in 2010 to approximately 45.0% in 2011, illustrating further development in the Group's integration of extensive manufacturing resources in China capitalizing on its leading capability in the industry.

In 2011, the Group was granted the "World Class Global Performance Excellence Award (Highest Honor)" by the Asia Pacific Quality Organization, signifying that the Group has reached an international advanced level in its excellent performance management system established with long-term commitment.

4. **Our bargaining power in the industry was substantially strengthened**

1) Following invitations from two internationally authoritative testing institutions, namely, SGS (Societe Generale de Surveillance S.A.) and TUV Nord Group in 2011 to collaborate with them as a co-operative laboratory, the Group's laboratory was accredited as a recognized laboratory by Consumer Product Safety Committee ("CPSC") of the United States in February 2012. It is noted that our laboratory is the only corporate laboratory in China that has been accredited by CPSC.

2) Since becoming a member of American Society for Testing and Materials, Comite European de Normalisation and the Consumer Products Safety Association of Japan respectively in 2011, the Group has participated in developing and revising 31 American standards, 1 European standard and 1 Japanese standard.

3) In July 2011, the Group released its "EQO" series of products at the 11th China Baby and Maternity Exhibition and was granted the silver certification by the C2C certification center, which marked the Group's initiative in introducing the human race's pursuit of the "Cradle to Cradle" ("C2C") concept of carbon-free and recycling to the global durable juvenile products . The Group has spent more than 3 years in the application research of the C2C concept. Our persistent commitment and development in this area will certainly enable the Company to strive for commanding heights in the industry and drive the development of the global durable juvenile product industry to a new level.

Looking forward, we are fully confident in the face of persistent challenges. We will continue to increase our investment in the China market, strengthen our brand position, thoroughly implement in-depth distribution, so as to further facilitate the penetration rate of our brand and products and capture the tremendous business opportunities generated by the explosive growth in the durable juvenile product market in China. In overseas markets, we will further enhance our capability of market research and product innovation and aggressively develop our OPM business model focusing on "turnkey product". Meanwhile, we will intensify promotion of our own brand and strengthen our capability in marketing management in Other Overseas Markets, consolidate and develop our OBM model focusing on our own brand. We will continue to implement the strategy of product diversification, market diversification and customer diversification, and capture our market share in the global durable juvenile product industry in order to realize the rapid, sustained and stable growth of the Group. We will continue to enhance our core manufacturing technology and production efficiency as well as strengthen our supply chain management capability. By capitalizing on our leading capability in manufacturing management, we intend to integrate the manufacturing resources throughout China to lower costs, upgrade our quality and taste, serve the global market and create added value for advanced manufacturing technology and supply chain integration.

FINANCIAL REVIEW — Continuing Operations

Revenue

Our total revenue increased by approximately 5.9% from approximately HK$ 3,721.9 million for the year ended 31 December 2010 to approximately HK$3,941.7 million for the year ended 31 December 2011. Geographically, this increase is attributable to the increase in revenue from China, European Market and Other Overseas Markets, partially offset by the decrease in revenue from North America. In terms of product category, this increase is attributable to the increase in revenue from strollers and accessories and other durable juvenile products, partially offset by the decrease in revenue from car safety seats and accessories.

Revenue by Geographical Region

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

	For the year ended 31 December				Growth analysis 2011 vs 2010
	2011		2010		
	Sales *(HK$ million)*	% of sales	Sales *(HK$ million)*	% of sales	Growth
European Market	1,222.8	31.0%	1,111.0	29.9%	10.1%
North America	1,140.8	28.9%	1,287.6	34.6%	-11.4%
China	1,000.8	25.4%	830.4	22.3%	20.5%
Other Overseas Markets	577.3	14.7%	492.9	13.2%	17.1%
Total	3,941.7	100.0%	3,721.9	100.0%	5.9%

Revenue from European Market increased by approximately 10.1% to approximately HK$1,222.8 million for the year ended 31 December 2011 from approximately HK$1,111.0 million for the year ended 31 December 2010. This increase was attributable to the overall increase in revenue of all product lines.

Revenue from North America decreased by approximately 11.4% to approximately HK$1,140.8 million for the year ended 31 December 2011 from approximately HK$1,287.6 million for the year ended 31 December 2010. This decrease was attributable to the decrease in revenue from strollers and accessories and car safety seats and accessories.

Revenue from China increased by approximately 20.5% to approximately HK$1,000.8 million for the year ended 31 December 2011 from approximately HK$830.4 million for the year ended 31 December 2010. This increase was attributable to the overall increase in revenue of all product lines.

Revenue from Other Overseas Markets increased by approximately 17.1% to approximately HK$577.3 million for the year ended 31 December 2011 from approximately HK$492.9 million for the year ended 31 December 2010. This increase was attributable to the increase in revenue from strollers and other product lines.

Revenue by Products

The table below sets out our revenue by product lines for the periods indicated.

	For the year ended 31 December				Growth analysis 2011 vs 2010
	2011		2010		
	Sales *(HK$ million)*	**% of sales**	**Sales** *(HK$ million)*	**% of sales**	**Growth**
Strollers and accessories	1,933.6	49.1%	1,825.3	49.1%	5.9%
Car safety seats and accessories	421.5	10.7%	473.6	12.7%	-11.0%
Other durable juvenile products	1,586.6	40.2%	1,423.0	38.2%	11.5%
Total	3,941.7	100.0%	3,721.9	100.0%	5.9%

Revenue from strollers and accessories increased by approximately 5.9% to approximately HK$1,933.6 million for the year ended 31 December 2011 from approximately HK$1,825.3 million for the year ended 31 December 2010. This increase was attributable to the increase in revenue from China market, European market and Other Overseas Markets, partially offset by the decrease in revenue from North America market.

Revenue from car safety seats and accessories decreased by approximately 11.0% to approximately HK$421.5 million for the year ended 31 December 2011 from approximately HK$473.6 million for the year ended 31 December 2010. This decrease was attributable to the decrease in revenue from North America as a result of the shift of some orders to internal production by one of the Company's major customers, partially offset by the increase in revenue from European Market and China. Although the Group's total revenue from car safety seats and accessories decreased, revenue from the self-developed car safety seats of the Group increased significantly by approximately 88.7% to approximately HK$63.2 million in 2011 from approximately HK$33.5 million in 2010.

Revenue from other durable juvenile products increased by approximately 11.5% to approximately HK$1,586.6 million for the year ended 31 December 2011 from approximately HK$1,423.0 million for the year ended 31 December 2010. This increase was attributable to the overall increase in revenue of all geographical regions.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by approximately 9.7% from approximately HK$2,979.3 million for the year ended 31 December 2010 to approximately HK$3,268.0 million for the year ended 31 December 2011. This increase was primarily due to the increase in labor costs and raw material prices and the appreciation of Renminbi. As a percentage of sales, the cost of sales increased from approximately 80.0% for the year ended 31 December 2010 to approximately 82.9% for the year ended 31 December 2011.

Our gross profit decreased by approximately 9.3% from approximately HK$742.6 million for the year ended 31 December 2010 to approximately HK$673.7 million for the same period in 2011. Our gross profit margin decreased from approximately 20.0% for the year ended 31 December 2010 to approximately 17.1% for the year ended 31 December 2011. The decrease in gross profit and gross profit margin was mainly due to the increase in cost of sales, partially offset by the increase in unit sales price of the Group's products and the improvement in production efficiency.

Overseas Markets

For our overseas markets, our gross profit margin decreased from approximately 18.8% for the year ended 31 December 2010 to approximately 14.7% for the same period in 2011. This was primarily attributable to the increase in labor costs and raw material prices and the appreciation of Renminbi, partially offset by the increase in unit sales price of the Group's products and the improvement in production efficiency. In addition, the Company entered into a forward contract in relation to the U.S. dollars receivables from overseas sales for the current year in 2011 to alleviate the impact of appreciation of Renminbi on the gross profit. Revenue in this respect, amounting to approximately HK$33.6 million, was included in "other income and gains", accounted for approximately 1.1% of the revenue from overseas markets for 2011, and partially offset the effect of appreciation of Renminbi on gross profit margin.

China

In China, the gross profit margin for the years ended 31 December 2010 and 2011 remained relatively stable. The impact due to the increase in labor costs and raw material prices on the gross profit margin was fully offset by the increase in sales price of the Company's products and the improvement in production efficiency.

Other Income and Gains

Our other income increased by approximately 222.5% or approximately HK$73.2 million from approximately HK$32.9 million for the year ended 31 December 2010 to approximately HK$106.1 million for the year ended 31 December 2011. This increase was mainly attributable to the gain on forward exchange contract, translation gain on overseas Renminbi deposits and the increase in government subsidies.

Selling and Distribution Costs

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

Our selling and distribution costs increased by approximately 10.3% to approximately HK$271.3 million for the year ended 31 December 2011 from approximately HK$246.0 million for the year ended 31 December 2010. The increase in selling and distribution costs was primarily as a result of an increase of salary expenses, office expenses and promotion expenses. As a percentage of sales, selling and distribution costs increased to approximately 6.9% for the year ended 31 December 2011 from approximately 6.6% for the year ended 31 December 2010.

Administrative Expenses

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

Our administrative expenses increased from approximately HK$245.5 million for the year ended 31 December 2010 to approximately HK$301.1 million for the year ended 31 December 2011. The increase was primarily a result of the increase of salary expenses, research and development expenses and office expenses, partially offset by the decrease in professional expenses.

Other Expenses

Our other expenses for the year ended 31 December 2011 was approximately HK$5.7 million as compared to approximately HK$20.6 million for the same period in 2010, mainly due to decrease in exchange losses.

Operating Profit

As a result of the foregoing, our operating profit decreased by approximately 23.4% to approximately HK$201.7 million for the year ended 31 December 2011 from approximately HK$263.3 million for the year ended 31 December 2010.

Finance Income

Our finance income increased by approximately 208.3% to approximately HK$3.7 million for the year ended 31 December 2011 from approximately HK$1.2 million for the year ended 31 December 2010. This increase was mainly due to the increase in interest on Renminbi deposits.

Finance Costs

Our finance costs decreased by approximately 36.6% to approximately HK$11.6 million for the year ended 31 December 2011 from approximately HK$18.3 million for the year ended 31 December 2010. This decrease was primarily due to the decrease in loan balances and the restructuring of loans.

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) decreased by approximately 21.3% from approximately HK$246.1 million for the year ended 31 December 2010 to approximately HK$193.8 million for the year ended 31 December 2011.

Income Tax Expense

Our income tax expense decreased by approximately 62.5% from approximately HK$42.9 million for the year ended 31 December 2010 to approximately HK$16.1 million for the year ended 31 December 2011. Meanwhile, our effective tax rate decreased to 8.3% for the year ended 31 December 2011 from 17.4% for the year ended 31 December 2010, primarily as a result of (i) a decrease in the amount of tax paid due to the decrease in taxable profit; (ii) a decrease in income tax expense due to the adjustment on a declared but not yet paid profit appropriation by an indirect wholly-owned domestic subsidiary of the Company to a Hong Kong incorporated and wholly-owned subsidiary of the Company; (iii) additional tax benefit due to an increase in research and development expenses for the year ended 31 December 2011.

Profit for the Year

Our profit for the year ended 31 December 2011 was approximately HK$177.7 million, representing a decrease of approximately 12.5% over the profit of approximately HK$203.2 million for the year ended 31 December 2010.

Working Capital and Financial Resources

	As at 31 December 2011 *(HK$ million)*	**As at 31 December 2010** *(HK$ million)*
Trade receivables	616.1	493.7
Trade and notes payables	857.3	685.2
Inventories	676.8	571.3
Trade receivables turnover days	51	53
Trade and notes payables turnover days	86	89
Inventories turnover days	70	85

Trade receivables balance increased by approximately HK$122.4 million from approximately HK$493.7 million as at 31 December 2010 to approximately HK$616.1 million as at 31 December 2011, mainly due to the increase in revenue from external sales in November and December 2011 compared with that of the same period last year.

Trade and notes payables balance increased by approximately HK$172.1 million from approximately HK$685.2 million as at 31 December 2010 to approximately HK$857.3 million as at 31 December 2011, primarily due to reserve procurement of raw materials by the Group when prices were lower at the end of 2011.

Inventories balance increased by approximately HK$105.5 million from approximately HK$571.3 million as at 31 December 2010 to approximately HK$676.8 million as at 31 December 2011, primarily due to (i) reserve procurement of raw materials by the Group when prices were lower at the end of 2011; (ii) the increase in inventories of moulds as a result of the investment in and development of moulds by the Group in 2011 for strengthening its OPM model; (iii) the reserve of inventories for the Spring Festival and post-festival wholesales fair in different provinces.

Liquidity and Financial Resources

The Group generally finances its operations and future plans with cash flows generated internally by operating activities and banking facilities.

As at 31 December 2011, the Group's cash and cash equivalent were approximately HK$788.4 million (2010: approximately HK$1,024.7million).

As at 31 December 2011, the Group's interest-bearing bank borrowings were approximately HK$326.5 million (2010: approximately HK$472.4 million). Out of these amounts, approximately HK$55.5 million (2010: approximately HK$242.1 million) are denominated in Renminbi, and approximately HK$271.0 million (2010: approximately HK$230.3 million) are denominated in U.S. dollars.

Contingent Liabilities

As at 31 December 2011, the Group had no material 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 74.6% of our revenue for the year ended 31 December 2011 was denominated in U.S. dollars. Renminbi appreciated approximately 5.1% against the U.S. dollars for the year ended 31 December 2011. Our profit margins will be adversely affected if we were unable to increase the U.S.-dollar selling prices of the products we sold to our overseas customers for offsetting any appreciation of Renminbi against the U.S. dollars.

During the year ended 31 December 2011, the Group entered into forward exchange contracts denominated in U.S. dollars in order to manage its risk exposure.

Pledge of Assets

As at 31 December 2011, some of the Group's interest-bearing bank borrowings were pledged by intra-group trade receivables of approximately HK$256.8 million (2010: approximately HK$167.2 million), and such trade receivables had been eliminated upon consolidation.

Gearing

As at 31 December 2011, the Group's gearing ratio (calculated as net liabilities divided by the sum of the equity attributable to owners of the parent and net liabilities; net liabilities is calculated as the sum of trade and notes payables, other payables, advances from customers and accruals, interest-bearing bank borrowings (current and non-current) and amounts due to related parties minus cash and cash equivalent) was approximately 27.3% (2010: approximately 20.9%).

OTHER INFORMATION

Employee and Remuneration Policies

As at 31 December 2011, the Group had an aggregate of 14,245 full-time employees. Employee costs, excluding directors' emoluments, totalled approximately HK$689.4 million for the year of 2011 as compared to approximately 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 adopted a share option scheme on 5 November 2010. During the year of 2011, no share option was granted.

Final Dividend

At the Board meeting held on 16 March 2012, it was proposed that a final dividend of HK$0.05 per ordinary share representing a total distribution of HK$50 million be paid on 15 June 2012 to the shareholders of the Company whose names appear on the Company's register of members on 31 May 2012. The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 25 May 2012.

There is no arrangement that any 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 25 May 2012 (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 and Record Date

(a) **For determining the entitlement to attend and vote at the annual general meeting**

The Company's register of members will be closed from 21 May 2012 (Monday) to 25 May 2012 (Friday) (both days inclusive), during which time no transfer of shares will be registered. To ensure that shareholders are 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 18 May 2012 (Friday) for registration of the relevant transfer.

(b) **For determining the entitlement to the proposed final dividend**

For determining the entitlement to the proposed final dividend for the year ended 31 December 2011, the record date is fixed on 31 May 2012 (Thursday). To ensure that shareholders are entitled to receive the distribution of final dividends to be approved at the Company's 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 31 May 2012 (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. For the year ended 31 December 2011, 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 the Company, CEO and the founder of the Group. The Board considers that vesting the roles of the chairman of the 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 2011.

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 2011.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Stock Exchange on 24 November 2010, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors of the Company, they have confirmed that they complied with the required standard of dealings set out in the Model Code for the year ended 31 December 2011.

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 Company's independent non-executive Directors. The chairman of the Audit Committee is Mr. Iain Ferguson Bruce. The annual results for the year ended 31 December 2011 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 2011 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, 16 March 2012

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.