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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

Financial Highlights

- Revenue for the six months ended 30 June 2012 was approximately HK$2,311.1 million, up 17.3% as compared with approximately HK$1,970.6 million for the corresponding period in 2011;

- Gross profit for the six months ended 30 June 2012 was approximately HK$440.3 million, up 20.9% as compared with approximately HK$364.2 million for the corresponding period in 2011, which translated to a gross profit margin of approximately 19.1% for the six months ended 30 June 2012 as compared with approximately 18.5% for the corresponding period in 2011; and

- Profit for the six months ended 30 June 2012 was approximately HK$100.7 million, down 12.7% as compared with approximately HK$115.4 million for the corresponding period in 2011, which translated to a profit margin of approximately 4.4% for the six months ended 30 June 2012 as compared with approximately 5.9% for the corresponding period in 2011. Among which:

    - Profit from core operations(1) was approximately HK$119.3 million, increased by approximately 27.1% as compared with approximately HK$93.9 million for the corresponding period in 2011.

Unit (HK$ million)	Six months ended June 2012	Six months ended June 2011	Growth rate
Revenue	2,311.1	1,970.6	17.3%
Among which : revenue from domestic markets	732.2	545.9	34.1%
revenue from overseas markets	1,578.9	1,424.7	10.8%
Gross margins	440.3	364.2	20.9%
Profit from core operations(1)	119.3	93.9	27.1%
Net value of other income and other expenses(2)	7.3	48.7	(85.0)%
Operating profit	126.6	142.6	(11.2)%
Profit for the period	100.7	115.4	(12.7)%

(1) Represents operating profit after deducting other income and other expenses

(2) The changes of net value of other income and other expenses mainly affected by change of value of forward currency contracts. For detailed analysis of forward currency contracts, please refer to the section headed "Other Income" under "Financial Review" of this announcement

The board (the "**Board**") of directors ("**Directors**") of Goodbaby International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	**2012** *(HK$'000)* *(Unaudited)*	**2011** *(HK$'000)* *(Unaudited)*
Revenue	4,5	2,311,087	1,970,618
Cost of sales		(1,870,796)	(1,606,427)
Gross profit		440,291	364,191
Other income	5	17,665	49,377
Selling and distribution costs		(157,890)	(140,448)
Administrative expenses		(163,118)	(129,806)
Other expenses	6	(10,343)	(712)
Operating profit		126,605	142,602
Finance income	7	2,187	1,645
Finance costs	8	(9,040)	(4,865)
Profit before tax	9	119,752	139,382
Income tax expense	10	(19,033)	(23,982)
Profit for the period		100,719	115,400

	Notes	2012	2011
		(HK$'000)	*(HK$'000)*
		(Unaudited)	*(Unaudited)*
Other comprehensive income			
Exchange differences on translation		(6,511)	16,106
Total comprehensive income for the period, net of tax		94,208	131,506
Profit for the period attributable to:			
Owners of the parent		100,490	114,473
Non-controlling interests		229	927
		100,719	115,400
Total comprehensive income attributable to:			
Owners of the parent		94,134	129,956
Non-controlling interests		74	1,550
		94,208	131,506
Earnings per share attributable to ordinary equity holders of the parent:	12		
Basic and diluted			
- For profit for the period (HK$)		0.10	0.11

Details of the dividends payable and proposed for the period are disclosed in note 11 to the interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Notes	**As at 30 June 2012** *(HK$'000)* *(Unaudited)*	**As at 31 December 2011** *(HK$'000)* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		652,021	640,087
Prepaid land lease payments		69,179	70,595
Intangible assets		38,269	38,082
Deferred tax assets		17,562	15,153
Total non-current assets		777,031	763,917
CURRENT ASSETS			
Inventories	13	597,672	676,767
Trade and notes receivables	14	621,752	642,427
Prepayments and other receivables		142,498	166,296
Derivative financial instruments		—	13,947
Due from related parties		164,719	119,529
Other current financial assets	15	147,203	—
Cash and cash equivalents		877,737	788,356
Total current assets		2,551,581	2,407,322
CURRENT LIABILITIES			
Trade and notes payables	16	886,653	857,302
Other payables, advances from customers and accruals		305,106	236,731
Interest-bearing bank borrowings	17	305,420	326,498
Derivative financial instruments		7,171	—
Dividends payable		1	1
Income tax payable		28,236	9,649
Provision		15,098	12,938
Total current liabilities		1,547,685	1,443,119

	Notes	As at 30 June 2012 (HK$'000) (Unaudited)	As at 31 December 2011 (HK$'000) (Audited)
NET CURRENT ASSETS		1,003,896	964,203
TOTAL ASSETS LESS CURRENT LIABILITIES		1,780,927	1,728,120
NON-CURRENT LIABILITIES			
Deferred tax liabilities		24,062	20,672
Total non-current liabilities		24,062	20,672
Net assets		1,756,865	1,707,448
EQUITY			
Equity attributable to owners of the parent			
Issued capital		10,000	10,000
Reserves		1,718,945	1,619,602
Proposed final dividend		—	50,000
		1,728,945	1,679,602
Non-controlling interests		27,920	27,846
Total equity		1,756,865	1,707,448

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 child related products.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") that remains in effect.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

3.1 ADOPTION OF NEW AND REVISED IFRSs

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the 2011 financial statements, except for the adoption of new standards and interpretations as of 1 January 2012, which are set out below:

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

- IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment) effective 1 January 2012

- IFRS 7 Financial Instruments: Disclosures-Enhanced Derecognition Disclosure Requirements (Amendment) effective 1 July 2011

- IFRS 1 First-time Adoption of International Finance Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment) effective 1 July 2011

The adoption of these new and revised IFRSs has had no significant financial effect on these interim condensed financial statements and there have been no significant changes to the accounting policies applied in these interim condensed financial statements.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

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 sourcing and distributing strollers; and

(d) Domestic — Other durable juvenile products segment, which engages in 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 the overseas — other durable juvenile products segments.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2012	**Overseas**			**Domestic**			**Consolidated**
	HK$'000 (Unaudited)			*HK$'000 (Unaudited)*			*HK$'000 (Unaudited)*
	Strollers and accessories	**Other durable juvenile products**	**Subtotal**	**Strollers and accessories**	**Other durable juvenile products**	**Subtotal**	
Segment revenue:							
Sales to external customers	752,998	825,893	1,578,891	328,588	403,608	732,196	2,311,087
Intersegment sales	126,837	94,384	221,221	—	—	—	221,221
							2,532,308
Reconciliation:							
Elimination of intersegment sales							(221,221)
Revenue							2,311,087
Cost of sales							(1,870,796)
Other income							17,665
Operating costs							(321,008)
Other expenses							(10,343)
Finance costs - net							(6,853)
Profit before tax							119,752

Six months ended 30 June 2011	**Overseas**			**Domestic**			**Consolidated**
	HK$'000 (Unaudited)			*HK$'000 (Unaudited)*			*HK$'000 (Unaudited)*
	Strollers and accessories	**Other durable juvenile products**	**Subtotal**	**Strollers and accessories**	**Other durable juvenile products**	**Subtotal**	
Segment revenue:							
Sales to external customers	789,294	635,402	1,424,696	225,840	320,082	545,922	1,970,618
Intersegment sales	101,591	100,476	202,067	—	—	—	202,067
							2,172,685
Reconciliation:							
Elimination of intersegment sales							(202,067)
Revenue							1,970,618
Cost of sales							(1,606,427)
Other income							49,377
Operating costs							(270,254)
Other expenses							(712)
Finance costs - net							(3,220)
Profit before tax							139,382

The principal non-current assets employed by the Group are located in the Domestic.

5. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2012	**2011**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Revenue:		
Sales of goods	2,311,087	1,970,618
Other income:		
Government grants (note (a))	8,428	7,841
Gain on sales of raw materials	740	2,052
Gain on sales of scrap materials	3,958	4,784
Compensation income (note (b))	1,411	2,137
Service fee income (note (c))	1,551	1,241
Fair value gains on derivative financial instruments -transaction not qualifying as hedges	—	15,987
Gain on wealth investment products (note (d))	1,187	—
Net foreign exchange gains	—	15,125
Others	390	210
Total	17,665	49,377

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

Note (d): The amount represents gain achieved from wealth investment products.

6. OTHER EXPENSE

	Six months ended 30 June	
	2012	**2012**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Fair value losses on derivative financial instruments		
-transaction not qualifying as hedges	7,171	—
Net foreign exchange losses	3,003	—
Others	169	712
Total	10,343	712

7 FINANCE INCOME

	Six months ended 30 June	
	2012	**2011**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
- Interest income on bank deposits	2,187	1,645

8. FINANCE COSTS

	Six months ended 30 June	
	2012	**2011**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
- Interest expense on bank loans and borrowings	9,040	4,865

9. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	**2011**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Cost of inventories recognized as expenses	1,560,125	1,229,956
Depreciation of property, plant and equipment	45,251	34,493
Amortization of intangible assets	1,877	1,524
Amortization of land lease payments	1,043	1,287
Research and development costs	56,742	44,752
Lease payments under operating leases in respect of properties	19,054	21,119
Auditors' remuneration	2,449	2,436
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	326,516	290,043
Equity-settled share option expense	5,209	—
Pension scheme contributions	12,567	13,495
	344,292	303,538
Net foreign exchange losses/ (gains)	3,003	(15,125)
Reversal of provision for impairment of receivables	(37)	—
Product warranty	8,576	833
Fair value losses/ (gains) on derivative financial instruments	7,171	(15,987)
(Gain)/ loss on disposal of items of property, plant and equipment	(109)	346
Bank interest income	(2,187)	(1,645)

10. 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 2012, no income tax in Japan has been provided as there was no taxable income.

10. INCOME TAX (CONTINUED)

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"), is 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:

	Six months ended 30 June	
	2012	**2011**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Current income tax — PRC		
- Income tax for the period	14,653	7,531
- Underprovision in prior years	54	—
	14,707	7,531
Oversea income tax	3,313	3,770
Deferred income tax	1,013	12,681
Income tax expense reported in the statement of comprehensive income	19,033	23,982

11. DIVIDENDS PAID AND PROPOSED

	Six months ended 30 June 2012 (HK$'000) (Unaudited)	2011 (HK$'000) (Unaudited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2011: HK$0.05 (2010: HK$0.05)	50,000	50,000

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,000,000,000 in issue during the six months ended 30 June 2012 (six months ended 30 June 2011: 1,000,000,000).

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2012 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	Six months ended 30 June 2012 (HK$'000) (Unaudited)	2011 (HK$'000) (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation — basic and diluted	100,490	114,473
Shares		
Weighted average number of ordinary shares in issue during the period used in the earnings per share calculation — basic and diluted	1,000,000,000	1,000,000,000

13. INVENTORIES

	As at 30 June 2012 *(HK$'000)* *(Unaudited)*	As at 31 December 2011 *(HK$'000)* *(Audited)*
Raw materials	211,296	251,186
Work in progress	80,606	79,138
Finished goods	305,770	346,443
	597,672	676,767

14. TRADE AND NOTES RECEIVABLES

	As at 30 June 2012 *(HK$'000)* *(Unaudited)*	As at 31 December 2011 *(HK$'000)* *(Audited)*
Trade receivables	587,141	616,135
Notes receivables	35,059	26,780
	622,200	642,915
Impairment for trade receivables	(448)	(488)
	621,752	642,427

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.

14. TRADE AND NOTES RECEIVABLES (CONTINUED)

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

	As at 30 June 2012 *(HK$'000)* *(Unaudited)*	As at 31 December 2011 *(HK$'000)* *(Audited)*
Within 3 months	579,181	607,354
3 to 6 months	5,016	7,070
6 months to 1 year	2,436	1,202
Over 1 year	60	21
	586,693	615,647

15. OTHER CURRENT FINANCIAL ASSETS

	As at 30 June 2012 *(HK$'000)* *(Unaudited)*	As at 31 December 2011 *(HK$'000)* *(Audited)*
Other current financial assets	147,203	—

Other current financial assets were wealth investment products with yields ranging from 4.5% to 4.8% per annum and had maturity within three months.

16. TRADE AND NOTES PAYABLES

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

	As at 30 June 2012 *(HK$'000)* *(Unaudited)*	As at 31 December 2011 *(HK$'000)* *(Audited)*
Within 3 months	823,263	719,854
3 to 12 months	59,795	130,188
1 to 2 years	2,376	4,277
2 to 3 years	615	1,930
Over 3 years	604	1,053
	886,653	857,302

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.

17. INTEREST—BEARING BANK BORROWINGS

	As at 30 June 2012			As at 31 December 2011		
	Effective interest rate (%)	**Maturity**	**HK$'000**	**Effective interest rate (%)**	**Maturity**	**HK$'000**
			(Unaudited)			*(Audited)*
Current						
Unsecured bank loans	—	—	—	3.66-6.26	2012	86,725
Bank borrowings pledged by intra-group trade receivables	3.47-4.61	2012	305,420	3.90-4.60	2012	239,773
Total			305,420			326,498

All short-term bank borrowings were obtained from third party financial institutions. As at 30 June 2012, a subsidiary pledged its trade receivables of approximately HK$324,898,000 (31 December 2011: HK$256,835,000) to secure certain of the Group's bank loans and these trade receivables were eliminated on group level.

18. SHARE OPTION SCHEME

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

The maximum number of share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 5 November 2010. The maximum number of shares issuable under share options to each eligible participant under the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the date on which the share options are granted to the relevant eligible participants. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

18. SHARE OPTION SCHEME (CONTINUED)

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue on the date of such grant or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period determined by the Directors and ends on a date which shall not be later than ten years from the date upon which the share options are deemed to be granted and accepted.

The exercise price of share options is determinable by the Directors, but may not be less than the higher of (i) the closing price of the Company's shares on the date of offer of the share options; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the six months ended 30 June 2012 (2011: Nil):

	Weighted average exercise price *HK$ per share*	**Number of options** *'000*
At 1 January 2012	—	—
Granted during the period	2,120	30,544
Forfeited during the period	2.120	(257)
At 30 June 2012	2.120	30,287

18. SHARE OPTION SCHEME (CONTINUED)

No share options were vested or exercised during the six months ended 30 June 2012 (2011: Nil). The exercise prices and exercise periods of the share options outstanding as at 30 June 2012 are as follows:

Number of options *'000*	**Exercise price** *HK$ per share*	**Exercise period**
6,587	2.120	3 January 2013 to 2 January 2018
7,900	2.120	3 January 2015 to 2 January 2018
7,900	2.120	3 January 2016 to 2 January 2018
7,900	2.120	3 January 2017 to 2 January 2018
30,287		

The Group recognised a share option expense of HK$5,209,000 (2011:Nil) during the six months ended 30 June 2012.

The fair value of equity-settled share options granted was estimated as at the date of grant, using a binomial tree modal, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share options granted on 3 January 2012
Dividend yield (%)	2.00
Spot stock price (HK$ per share)	2.12
Historical volatility (%)	52.00
Risk-free interest rate (%)	1.11
Expected life of option (year)	6.00
Weighted average share price (HK$ per share)	2.12

At the end of the reporting period, the Company had 30,287,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 30,287,000 additional ordinary shares of the Company and additional share capital of HK$302,870, and share premium of HK$63,905,570 (before issue expenses).

At the date of approval of these financial statements, the Company had 30,287,000 share options outstanding under the Scheme, which represented approximately 3.03% of the Company's shares in issue as at that date.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2012, the Group's strategies have been effectively implemented, despite the severe global economic environment. The Group achieved rapid business growth in the respective key markets, steady improvement in its competitive advantages, increasing enhancement in its market position, continuous improvement in its operating efficiency and a significant growth in profits from its core operations.

In the first half of 2012, the Group recorded total revenue of approximately HK$2,311.1 million, representing an increase of approximately 17.3% as compared to that of approximately HK$ 1,970.6 million in the first half of 2011. Operating gross profit was approximately HK$440.3 million, representing an increase of approximately 20.9% as compared to that of approximately HK$364.2 million in the first half of 2011. The net profit was approximately HK$100.7 million, representing a decrease of 12.7% as compared to that of approximately HK$115.4 million in the first half of 2011. Whilst, profits from core operations (referring to operating profits after deducting other income and other expenses) were approximately HK$119.3 million, up approximately 27.1% from approximately HK$93.9 million for the first half of 2011.

From geographical region perspective, the increase in the Group's revenue was attributable to an increase in the revenue derived from the China market[Note 1], North America[Note 1] and European Market[Note 1]. In the first half of 2012, the Group's revenue from these three markets grew by 34.1%, 17.6% and 9.6% as compared to the first half of 2011, respectively. In the same period, the Group's revenue from Other Overseas Markets[Note 1] slightly decreased by 1.1% as compared to that in the first half of 2011. From product category perspective, the increase in the Group's revenue was attributable to an increase in the revenue derived from all product categories. In the first half of 2012, the Group's revenue derived from strollers and accessories, car seats and accessories and other durable juvenile products grew by 6.6%, 51.8% and 22.2% as compared to the first half of 2011, respectively. The decrease in the

Note 1: For purposes of this announcement, "European Market" means countries in Europe to which the Group sells its product, which are 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; and "Other Overseas Markets" mean overseas markets other than North America and European Market, including markets such as Russia, Japan, South America, Middle East, Southeast Asia and India. "China" means the People's Republic of China, excluding Taiwan, Hong Kong Special Administrative Region and Macao Special Administrative Region.

Group's profits was mainly attributable to change of value of forward currency contracts. In the first half of 2012, the Group recorded losses from forward currency contracts, while the Group recorded gain from forward currency contracts in the first half of 2011. (For further details of forward currency contracts, please refer to the paragraphs headed "Other Income" under "Financial Review" of this announcement).

For detailed analysis of the Group's revenue and earnings, please refer to the section headed "Financial Review" of this announcement.

KEY OPERATIONS REVIEW AND OUTLOOK

1. Rapid business growth in the China market.

   (1) Rapid revenue growth. In the first half of 2012, the Group's revenue in the China market was HK$732.2 million, representing an increase of approximately 34.1% as compared to that of HK$545.9 million in the corresponding period of last year. As a percentage of total revenue of the Group, the Group's revenue derived from China increased to approximately 31.7% in the first half of this year as compared to that of approximately 27.7% in the first half of last year.

   (2) Both of two core brands growing rapidly. In the first half of 2012, revenue from products under the two core brands of the Group in the China market, namely the "Goodbaby" brand and the "Happy Dino" brand, recorded a strong growth. In particular, revenue from products under the "Goodbaby" brand with higher prices and greater gross margin continued to maintain a faster growth. In the first half of 2012, the Group's revenue from products under the "Goodbaby" brand and the "Happy Dino" brand accounted for 43.4% and 56.6% of the total revenue from the China market, respectively, and grew by 49.9% and 24.1% as compared to the corresponding period last year, respectively. In 2011, the Group's revenue from products under the "Goodbaby" brand and the "Happy Dino" brand grew by 26.0% and 16.8%, respectively (as compared to that in 2010).

(3) Rapid expansion of in-depth distribution management system. In the first half of 2012, the Group continued to rapidly expand its direct coverage on booming maternity and childcare specialty stores in the China market, while maintaining its strong coverage on major department stores and hypermarkets. As at 30 June 2012, the number of maternity and childcare specialty stores which established direct relationship with the Group increased to 12,894 from 10,894 as at 31 December 2011, among which maternity and childcare specialty stores directly covered by the Group's in-depth distribution management system increased to 10,061 as at 30 June 2012 from 7,000 as at 31 December 2011. Meanwhile, regions covered by the Group's in-depth distribution management system also expanded to 25 provinces and cities as at 30 June 2012 from 11 provinces and cities as at 31 December 2011. According to the market survey conducted by the Group on 24 provinces and cities in China during the third quarter of 2011, in these 24 provinces and cities, the total number of retail outlets of maternity and childcare specialty stores exceeded 70,000, which indicated the huge development space for the in-depth distribution management strategy of the Group.

2. Double-digit growth in overseas markets against market decline.

Benefiting from the Group's continuous implementation of the strategy of customer diversification, product diversification and market diversification, and intensive new products launch, in the first half of 2012, the Group recorded revenue from overseas markets of approximately HK$1,578.9 million, representing an increase of 10.8% as compared that of approximately HK$1,424.7 million in the first half of 2011. Business in the North America saw a strong rebound. The Group's revenue from North America amounted to HK$697.5 million, representing an increase of 17.6% as compared to that in the first half of 2011; and the Group's business in the European Market continued to grow. Despite the raging European sovereign-debt crisis, the Group's revenue from the European Market amounted to HK$606.8 million in the first half of 2012, representing an increase of 9.6% as compared to that in the first half of 2011.

Meanwhile, the Group continued to promote its own brands in Other Overseas Markets. The Group participated in series of industry exhibitions successively, including Hong Kong Toys & Games Fair (香港玩具展) and Tokyo Baby & Kids Expo (日本東京嬰童用品展), all achieved good results. In the first half of 2012, the Group's revenue from products under its own brands grew by 22.1% as compared to the corresponding period of last year. In addition, in Other Overseas Markets, the Group made progress in its strategy of "optimizing products and increasing profits". By specific measures such as product optimization, selected customers and minimum orders control, the profitability of the Group in Other Overseas Markets improved fairly. In the first half of 2012, the Group's revenue from Other Overseas Markets decreased by 1.1% as compared to that in the first half of 2011, however, the amount of gross profits from Other Overseas Markets increased by approximately 24.3% as compared to the corresponding period of last year.

3. Remarkable results achieved benefiting from the strategy of product diversification.

In recent years, the Group has continuously accelerated the development of car seats and accessories business and other durable juvenile product business, and maintained continuous growth of strollers and accessories business of the Group while continuously strengthening and developing the stroller business. In the first half of 2012, the Group's revenue from products other than strollers and accessories amounted to HK$1,229.5 million, representing an increase of 28.7% as compared to that in the first half of 2011, of which revenue from car seats and accessories amounted to approximately HK$316.6 million, representing an increase of 51.8% as compared to the first half of 2011, and revenue from other durable juvenile products amounted to approximately HK$912.9 million, representing an increase of 22.2% as compared to the first half of 2011. In the first half 2012, the Group launched a total of 132 new car seats and other durable juvenile products. As at 30 June 2012, a total of 220 new such products are in the research and development stage.

In terms of the market size, the total market size of car seats and other durable juvenile products, including ride-ons（乘玩車）(inclusive of bicycles, tricycles, electric cars, toy cars and scooters, etc.) and household products (inclusive of cribs, high chairs, bouncers, stationary activity play centers and walkers, etc.) is tremendous. According to the market research report prepared by Frost & Sullivan, in 2009, as a percentage of the total market size of durable juvenile products, the market size of car seats and other durable juvenile products was only 84.4%, 75.5% and 86.9% in North America, the European Market and the China market, respectively. Therefore, in addition to strollers, the development space of durable juvenile products of the Group is termendous. It is more worthwhile to expect that although China car seat market is just in its early development stage, China has become the largest car seller in terms of the annual selling volume with the second largest car ownership in the world. The formal implementation of the national standard on car seats on 1 July this year is bound to result in the standardization and integration of China children's car seat market, as well as a rapid improvement in social awareness of children's safety in vehicles. All these are bound to bring unprecedented business opportunities to the Group (as a super-leading company in China durable juvenile products industry). In the first half of 2012, the Group's revenue from car seats grew by 164.0% as compared that in the first half of 2011.

4. Continuous enhancement of core in-house capability.

In the first half of 2012, the Group launched 262 new products in total, of which 30 were brand-new products and 232 were improved products. Meanwhile, the Group has applied for a total of 314 patents in this period. As at 30 June 2012, there were 450 new products in research and development stage, of which 190 were brand-new products and 260 were improved products. Meanwhile, the Group has been more committed to the expansion of high added-value new products. In the first half of 2012, the Group launched brand-new infant game product series, umbrella handle-type ultra-light stroller series, slice-type bouncer series, as well as intelligent system and new material application series, all of which led the industry trend and were greatly innovative.

In February 2012, the central laboratory of the Group was accredited by the Consumer Product Safety Commission (“ CPSC”) of the United States as an officially accredited laboratory after it was recognized by Societe Generale de Surveillance (“SGS”) of Switzerland and TUV Nord Group of Germany as their collaborating laboratory in 2011. In the first half of 2012, the central laboratory of the Group also became the ECE R44 testing laboratory for children’s car seats accredited by TUV Nord Group.

As at 30 June 2012, the Group was participating in the formulating and revision of 35 American standards and the revision of one European standard, and also participating in the formulation of one Japanese standard. As for such Japanese standard, the Group was one of the leading participants, and also the only non-Japanese corporate participant. The national standards on children’s car seat products and children’s furniture of the PRC with the full involvement of the Group have come into effect on 1 July 2012 and 1 August 2012 respectively. In addition, in the first half of 2012, the Group also participated in the drafting of 5 national standards, including the “Children’s Bath Chair-General Technical Requirements” of the PRC (《中國兒童浴椅通用技術條件》).

In the first half of 2012, the Group integrated manufacturing resources in China and continued to increase outsourcing, and the percentage of outsourced accessories increased to 51% from 37% in the corresponding period last year, and the percentage of finished goods increased to 16.4 % from 16.1 % in the corresponding period last year. Meanwhile, through the effective organization of production lines, the improvement of the automation level and lean management, the average number of front-line workers continued to decrease, thus effectively coping with challenges arising from rigidly rising wages.

In the second half of 2012, the global economy remains to be full of high complexity and tremendous uncertainties. Facing these challenges, we will implement the Group's established strategies and policies as always: in the China market, to proceed with in-depth distribution management system, to develop its distribution management system from channels of class 1 and 2 to channels of class 3, 4 and 5, to widely cover retail outlets of all levels across China, to enhance market penetration and further accelerate the growth of the Group in the China market; in the international market, we will continue to implement the strategy of proactive marketing by subdividing each market, identifying market opportunities one by one, applying flexible strategies in brands, customers, channels and products, and seizing a greater market share; in Other Overseas Markets, we will continue to promote our self-owned brands, develop new products with high added values and enhance the market position of our self-owned brands; continue to implement the strategy of product diversification by accelerating the development of the business of car seats and other durable juvenile products while continuously consolidating and developing the business of strollers; further optimize the management of the supply chain and strengthen the construction of core capability so as to provide strong background capability support for coping with market changes rapidly and effectively.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by 17.3% from approximately HK$1,970.6 million for the six months ended 30 June 2011 to approximately HK$2,311.1 million for the six months ended 30 June 2012.

Revenue by Geographical Region

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

	For the six months ended 30 June				Growth analysis
	2012		2011		2012 vs 2011
	Sales *(HK$ million)*	**% of Sales**	**Sales** *(HK$ million)*	**% of Sales**	**Growth**
European Market	606.8	26.3%	553.7	28.1%	9.6%
North America	697.5	30.2%	593.3	30.1%	17.6%
China	732.2	31.7%	545.9	27.7%	34.1%
Other Overseas Markets	274.6	11.8%	277.7	14.1%	-1.1%
Total	2,311.1	100.0%	1,970.6	100.0%	17.3%

Revenue from the European Market increased by 9.6% to approximately HK$606.8 million for the six months ended 30 June 2012 from approximately HK$553.7 million for the six months ended 30 June 2011. The increase was attributable to the increase in revenue from car seats and accessories as well as other durable juvenile products, which was partially offset by the decrease in revenue from strollers and accessories.

Revenue from North America increased by 17.6% to approximately HK$697.5 million for the six months ended 30 June 2012 from approximately HK$593.3 million for the six months ended 30 June 2011. The increase was attributable to the increase in revenue from all product categories.

Revenue from China increased by 34.1% to approximately HK$732.2 million for the six months ended 30 June 2012 from approximately HK$545.9 million for the six months ended 30 June 2011. The increase was attributable to the increase in revenue from all product categories.

Revenue from Other Overseas Markets decreased by 1.1% to approximately HK$274.6 million for the six months ended 30 June 2012 from approximately HK$277.7 million for the six months ended 30 June 2011. The decrease was attributable to the decrease in revenue from strollers and accessories.

Revenue by Products

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

	For the six months ended 30 June				**Growth analysis**
	2012		**2011**		**2012 vs 2011**
	Sales *(HK$ million)*	**% of Sales**	**Sales** *(HK$ million)*	**% of Sales**	**Growth**
Strollers and accessories	1,081.6	46.8%	1,015.1	51.5%	6.6%
Car seats and accessories	316.6	13.7%	208.5	10.6%	51.8%
Other durable juvenile products	912.9	39.5%	746.9	37.9%	22.2%
Total	2,311.1	100.0%	1,970.6	100.0%	17.3%

Revenue from strollers and accessories increased by 6.6% to approximately HK$1,081.6 million for the six months ended 30 June 2012 from approximately HK$1,015.1 million for the six months ended 30 June 2011. The increase was attributable to the growth in revenue from the China market and North America, which was partially offset by the decrease in revenue from the European Market and Other Overseas Markets.

Revenue from car seats and accessories increased by 51.8% to approximately HK$316.6 million for the six months ended 30 June 2012 from approximately HK$208.5 million for the six months ended 30 June 2011. The increase was mainly attributable to the increase in revenue from all geographical regions.

Revenue from other durable juvenile products increased by 22.2% to approximately HK$912.9 million for the six months ended 30 June 2012 from approximately HK$746.9 million for the six months ended 30 June 2011. The increase was attributable to the increase in revenue from all geographical regions.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales increased by 16.5% to approximately HK$1,870.8 million for the six months ended 30 June 2012 from approximately HK$1,606.4 million for the six months ended 30 June 2011. The increase was primarily due to the increased production driven by a higher demand for the products of the Group, resulting in an increase in cost consumption.

As a result of the foregoing, the gross profit increased by 20.9% from approximately HK$364.2 million for the six months ended 30 June 2011 to approximately HK$440.3 million for the corresponding period in 2012. The gross profit margin increased from 18.5% for the six months ended 30 June 2011 to 19.1% for the corresponding period in 2012. The improvement of the gross profit margin mainly benefited from the increased percentage of gross profit from China and Other Overseas Markets to the total gross profit.

Other Income

Other income decreased by HK$31.7 million to approximately HK$17.7 million for the six months ended 30 June 2012 from approximately HK$49.4 million for the six months ended 30 June 2011, which was mainly attributable to the change of value of forward currency contracts, the Group recorded losses from forward currency contracts settled during the period and not yet settled as at the end of the period of approximately HK$11.3 million for the six months ended 30 June 2012 which were included in the paragraph headed "Other Expenses" in this announcement, while we recorded gains from forward currency contracts settled during the period and not yet settled as at the end of the period of approximately HK$21.8 million for the six months ended 30 June 2011. The composition of these gains and losses is as follows:

	For the six months ended 30 June	
	2012	*2011*
	(HK$ million)	*(HK$ million)*
Foreign exchange gains derived from forward currency contracts settled during the six months ended 30 June	9.8	5.8
Fair value (losses) gains derived from forward currency contracts not yet settled as at 30 June	(7.2)	16.0
Adjustment to the lossses (gains) recorded in the previous year (with reference to the fair value gains on the forward currency contracts not yet settled as at 31 December in the previous year)	(13.9)	0
Net (losses) gains	(11.3)	21.8

The Group derives most of its revenue from sales settled in the U.S. dollar and costs of the Group are mainly paid in Renminbi. Therefore, fluctuations in the exchange rate of Renminbi against the U.S. dollar will bring uncertainties to the profitability of the Group. When all other things being equal, the depreciation of Renminbi against the U.S. dollar will increase the profit of the Group whereas the appreciation of Renminbi against the U.S. dollar will reduce the profit of the Group. Accordingly, the Group will usually manage these uncertainties by purchasing forward currency contracts denominated in the U.S. dollar to allow the Group to plan and manage its U.S. dollar-settled revenue on the basis of locked exchange rates (e.g. product prices and gross profits etc.).

As at 30 June 2012, the Group held outstanding U.S. dollar denominated forward currency contracts in an amount of approximately US$141.2 million. All these contracts were signed before 28 February 2012 and all settlement dates fall within 2012. The Group included fair value losses of approximately HK$7.2 million for these contracts in the first half of 2012, as the Group estimated the effective exchange rate of Renminbi against the U.S. dollar on the settlement dates of these contracts to be greater than that stipulated in these contracts.

Selling and Distribution Costs

The selling and distribution costs primarily consist of promotional expenses, salaries and transportation costs. The selling and distribution costs increased by 12.5% to approximately HK$157.9 million for the six months ended 30 June 2012 from approximately HK$140.4 million for the six months ended 30 June 2011. The increase in selling and distribution costs was primarily due to an increase in staff expenses, transportation expenses and office expenses.

Administrative Expenses

The administrative expenses primarily consist of salaries, research and development costs, and office expenses.

The administrative expenses increased from approximately HK$129.8 million for the six months ended 30 June 2011 to approximately HK$163.1 million for the six months ended 30 June 2012. The increase in administrative expenses was primarily attributable to an increase in product research and development costs, office expenses and salary expenses.

Other Expenses

Other expenses amounted to approximately HK$10.3 million for the six months ended 30 June 2012, while other expenses amounted to approximately HK$0.7 million for the six months ended 30 June 2011. The increase was mainly due to the losses recorded of approximately HK$11.3 million for the six months ended 30 June 2012 as a result of forward currency contracts settled during the period and not settled as at the end of the period. (Please refer to the section headed "Other Income" of this announcement for details about forward currency contracts)

Operating Profit

As a result of the foregoing, the operating profit decreased by 11.2% to approximately HK$126.6 million for the six months ended 30 June 2012 from approximately HK$142.6 million for the six months ended 30 June 2011.

Finance Income

The finance income increased from approximately HK$1.6 million for the six months ended 30 June 2011 to approximately HK$2.2 million for the six months ended 30 June 2012, and all finance income was interest income from bank deposits.

Finance Costs

The finance costs increased from approximately HK$4.9 million for the six months ended 30 June 2011 to approximately HK$9.0 million for the six months ended 30 June 2012. The increase was mainly attributable to the increase in interest rates of loans as compared to that in the same period of 2011 and higher usage of bank loans for the six months ended 30 June 2012.

Profit before Tax

As a result of the foregoing, the profit before tax (representing the total sum of gross profit, other income, administrative expenses, selling and distribution costs, other expenses, finance costs and finance income) decreased by 14.1% from approximately HK$139.4 million for the six months ended 30 June 2011 to approximately HK$119.8 million for the six months ended 30 June 2012.

Income Tax Expense

The income tax expense was approximately HK$19.0 million for the six months ended 30 June 2012, whereas the income tax expense was approximately HK$24.0 million for the six months ended 30 June 2011. The effective tax rate was 15.9% for the six months ended 30 June 2012, and the effective tax rate for the six months ended 30 June 2011 was 17.2%.

Profit for the Period

For the six months ended 30 June 2012, the profit for the period was approximately HK$100.7 million, whilst the profit for the six months ended 30 June 2011 was approximately HK$115.4 million.

	As at 30 June 2012 *(HK$ million)*	**As at 31 December 2011** *(HK$ million)*
Trade receivables	587.1	616.1
Trade and notes payables	886.7	857.3
Inventories	597.7	676.8
Trade receivables turnover days(1)	48	51
Trade and notes payables turnover days(2)	85	86
Inventories turnover days(3)	62	70

Notes:

(1) Trade receivables turnover days = Number of days in the reporting period x (Average balance of trade receivables at the beginning and at the end of the period)/revenue

(2) Trade and notes payables turnover days = Number of days in the reporting period x (Average balance of the trade and notes payables at the beginning and at the end of the period)/cost of sales

(3) Inventories turnover days = Number of days in the reporting period x (Average balance of inventories at the beginning and at the end of the period)/cost of sales

The trade receivables balance decreased by HK$29.0 million from approximately HK$616.1 million as at 31 December 2011 to approximately HK$587.1 million as at 30 June 2012. The decrease was mainly attributable to further improvement in the management of receivables by the Group.

The balance of trade and notes payables increased by HK$29.4 million from approximately HK$857.3 million as at 31 December 2011 to approximately HK$886.7 million as at 30 June 2012. The increase was mainly due to an increase in business volume resulting in an increase in trade payables.

The balance of inventories decreased by HK$79.1 million from approximately HK$676.8 million as at 31 December 2011 to approximately HK$597.7 million as at 30 June 2012. The decrease was mainly attributable to further improvement in the management of inventories by the Group.

Liquidity and Financial Resources

The Group has established a sound cash management system, including a dedicated cash management division for managing the liquidity of the Group, and an accountability system under which each operating unit is responsible for its own cash flows.

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

As at 30 June 2012, the Group's cash and cash equivalents were approximately HK$877.7 million, of which: HK$644.5 million were denominated in Renminbi, HK$227.7 million were denominated in U.S. dollars, HK$1.8 million were denominated in HK dollars and HK$3.7 million were denominated in other currencies. (As at 31 December 2011: approximately HK$788.4 million, of which: HK$727.4 million were denominated in Renminbi, HK$56.7 million were denominated in U.S. dollars, HK$0.7 million were denominated in HK dollars and HK$3.6 million were denominated in other currencies.)

As at 30 June 2012, the Group's interest-bearing bank borrowings were approximately HK$305.4 million (as at 31 December 2011: approximately HK$326.5 million), of which: HK$0.0 were denominated in Renminbi (as at 31 December 2011: approximately HK$55.5 million were denominated in Renminbi), and approximately HK$305.4 million were denominated in U.S. dollars (as at 31 December 2011: approximately HK$271.0 million were denominated in U.S. dollars). Bank borrowings as at 30 June 2012 and those in corresponding period were charged at variable interest rate.

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities (as at 31 December 2011: nil).

Exchange Rate Fluctuations

The Group's sales are mainly denominated in U.S. dollars and Renminbi. Our cost of sales and operating expenses are mainly denominated in Renminbi. For the six months ended 30 June 2012, approximately 68.3% of the Group's revenue was denominated in U.S. dollars. The Group's gross profit margin will be adversely affected if Renminbi appreciates against the U.S. dollar as the Group is unable to increase the U.S. dollar selling prices of the products sold to the overseas customers. Renminbi depreciated by approximately 0.4% against the U.S. dollar during the six months ended 30 June 2012.

The Group usually manages fluctuations in the exchange rate of Renminbi against the U.S. dollar by purchasing forward currency contracts denominated in U.S. dollars. As at 30 June 2012, the Group held outstanding U.S. dollar denominated forward currency contracts in an amount of approximately US$141.2 million. All these contracts were signed before 28 February 2012 and all settlement dates fall within 2012. The Group recorded fair value losses of approximately HK$7.2 million for these contracts in the first half of 2012, as the Group forcasted the effective exchange rate of Renminbi against the U.S. dollar on the settlement dates of these contracts to be greater than that stipulated in these contracts. (For more details about the forward currency contracts, please refer to the section headed "Other Income" of this announcement).

Pledge of Assets

As at 30 June 2012, some of the Group's interest-bearing bank borrowings were pledged by intra-group trade receivables of approximately HK$324.9 million (as at 31 December 2011: approximately HK$256.8 million), and such trade receivables were eliminated in the consolidated financial statements of the Group.

Gearing Ratio

As at 30 June 2012, the Group's gearing ratio (calculated by net liabilities divided by the sum of equity attributable to owners of the parent and net liabilities; the amount of net liabilities is calculated by the sum of trade and notes payables, other payables, advances from customers and accruals, interest-bearing loans and borrowings (current and non-current), dividends payable and amounts due to related parties, minus cash and cash equivalents) was approximately 26.4% (as at 31 December 2011: approximately 27.3%).

Employees and Remuneration Policy

As at 30 June 2012, the Group had a total number of 13,896 full-time employees (as at 30 June 2011, the Group had a total number of 15,332 full-time employees). For the six months ended 30 June 2012, employee costs, excluding directors' emoluments, amounted to a total of HK$338.2 million (for the six months ended 30 June 2011, employee costs, excluding directors' emoluments, amounted to a total of HK$297.5 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. The Group provides a defined contribution mandatory provident fund for retirement benefits of its employees in Hong Kong, and provides its employees in the PRC and other countries with welfare schemes as required by the applicable local laws and regulations.

The Company adopted a share option scheme on 5 November 2010. During the six months ended 30 June 2012, 30,551,000 share options were granted, out of which 7,000 share options were not accepted. Up to 30 June 2012, 257,000 share options had lapsed and no share options have been exercised. As at 30 June 2012, the outstanding share options were 30,287,000.

OTHER INFORMATION

Purchase, Sales or Redemption of Shares

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Significant Acquisition, Disposal or Investment

As at 30 June 2012, the Group had no specific material investment target. The Group did not have any material acquisition and disposals of subsidiaries and associated companies, and investment during the period under review.

Dividends

The Board does not recommend payment of any dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

Code on Corporate Governance

The Company is committed to the maintenance of stringent 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. The Board is of the view that the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") from 1 January 2012 until 31 March 2012, and with the revised Corporate Governance Code from 1 April 2012 to 30 June 2012 except for the following deviations:

Code provision A.2.1: The roles of chairman and chief executive ("**CEO**") should be separate and should not be performed by the same individual. Mr. Song Zhenghuan is an executive Director, the chairman and CEO of the Company and the founder of the Group.

The Board considers that vesting the roles of the chairman and CEO of the Company 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.

Code provision A.6.7: The independent non-executive Directors and the non-executive Directors should attend the general meetings of the Company. However, due to other commitments, an independent non-executive Director, Mr. Long Yongtu and the non-executive Directors, Mr. Christopher Marcus Gradel and Ms. Chiang Yun did not attend the annual general meeting of the Company held on 25 May 2012.

All the Directors have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation and majority of the independent non-executive Directors, Mr. Shi Xiaoguang and Mr. Iain Ferguson Bruce (chairman of the audit, remuneration and nomination committees of the Company) have attended the annual general meeting for exchanging views with the shareholder.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules (the "**Model Code**") as the standards for the Directors' dealings in the securities of the Company. The Directors have confirmed, having made specific enquiry with the Directors, that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2012.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors. The Audit Committee has reviewed with the Company's management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012.

Publication of Interim Report

This interim 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 interim report of the Company for the six months ended 30 June 2012 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, 17 August 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.