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 2012

Financial Highlights

- Revenue for the year ended 31 December 2012 was approximately HK$4,554.5 million, increased by approximately 15.5% as compared with approximately HK$3,941.7 million for the corresponding period in year 2011;

- Gross profit for the year ended 31 December 2012 was approximately HK$871.9 million, increased by approximately 29.4% as compared with approximately HK$673.7 million for the corresponding period in year 2011, which translated to a gross profit margin of approximately 19.1% for the year ended 31 December 2012 as compared with approximately 17.1% for the corresponding period in the year 2011; and

- Profit for the year ended 31 December 2012 was approximately HK$183.1 million, increased by approximately 3.0% as compared with approximately HK$177.7 million for the corresponding period in year 2011, which translated to a profit margin of approximately 4.0% for the year ended 31 December 2012 as compared with approximately 4.5% for the corresponding period in the year 2011.
  Of which: Profit from core operations(1) was approximately HK$169.2 million, representing an increase of approximately 67% as compared with approximately HK$101.3 million for 2011.

Unit (HK$ million)	For the 12 months ended 31 December 2012	For the 12 months ended 31 December 2011	Growth rate
Revenue	4,554.5	3,941.7	15.5%
Including:			
Revenue from the domestic market	1,303.1	1,000.8	30.2%
Revenue from overseas markets	3,251.4	2,940.9	10.6%
Gross profit	871.9	673.7	29.4%
Profit from core operations(1)	169.2	101.3	67.0%
Other income and other expenses (net)(2)	50.7	100.4	(49.5)%
Operating profit	219.9	201.7	9.0%
Profit for the year	183.1	177.7	3.0%

Notes:

1 Profit from core operations refers to operating profit after deducting other income and other expenses.

2 Changes in other income and other expenses (net) are mainly affected by changes in the fair value of forward currency contracts. For detailed explanation of the relevant forward currency contracts, please refer to the section headed "Other income and gains" in "Financial Review".

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 2012, together with the comparative figures for the year ended 31 December 2011, 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 2012

	Notes	**2012** *(HK$'000)*	**2011** *(HK$'000)*
Revenue	4	4,554,462	3,941,672
Cost of sales		(3,682,571)	(3,267,990)
Gross profit		871,891	673,682
Other income and gains	4,5	54,030	106,109
Selling and distribution expenses		(359,350)	(271,309)
Administrative expenses		(343,301)	(301,080)
Other expenses		(3,381)	(5,729)
Operating profit		219,889	201,673
Finance income	6	7,911	3,749
Finance costs	7	(11,897)	(11,617)
Profit before tax	8	215,903	193,805
Income tax expense	9	(32,780)	(16,117)
Profit for the year		183,123	177,688

	Notes	2012	2011
		(HK$'000)	*(HK$'000)*
Other comprehensive income			
Exchange differences on translation		1,806	38,883
Total comprehensive income for the year, net of tax		184,929	216,571
Profit for the year attributable to:			
Owners of the parent		181,207	176,915
Non-controlling interests		1,916	773
		183,123	177,688
Total comprehensive income attributable to:			
Owners of the parent		183,009	214,503
Non-controlling interests		1,920	2,068
		184,929	216,571
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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	**2012** *(HK$'000)*	**2011** *(HK$'000)*
NON-CURRENT ASSETS			
Property, plant and equipment		675,954	640,087
Prepaid land lease payments		68,022	70,595
Intangible assets		35,352	38,082
Deferred tax assets		14,633	15,153
Total non-current assets		793,961	763,917
CURRENT ASSETS			
Inventories	12	624,856	676,767
Trade and notes receivables	13	758,728	642,427
Prepayments and other receivables		123,970	166,296
Due from related parties		133,487	119,529
Available-for-sale investments	14	123,335	—
Cash and cash equivalents		633,371	788,356
Derivative financial instruments		—	13,947
Total current assets		2,397,747	2,407,322
CURRENT LIABILITIES			
Trade and notes payables	15	791,268	857,302
Other payables, advances from customers and accruals		289,827	236,731
Interest-bearing bank borrowings	16	220,783	326,498
Income tax payable		7,400	9,649
Provision		11,722	12,938
Dividends payable		1	1
Total current liabilities		1,321,001	1,443,119
NET CURRENT ASSETS		1,076,746	964,203
TOTAL ASSETS LESS CURRENT LIABILITIES		1,870,707	1,728,120

	Notes	**2012**	**2011**
		(HK$'000)	*(HK$'000)*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		18,578	20,672
Total non-current liabilities		18,578	20,672
Net assets		1,852,129	1,707,448
EQUITY			
Equity attributable to owners of the parent			
Issued capital		10,000	10,000
Reserves		1,762,363	1,619,602
Proposed final dividend		50,000	50,000
		1,822,363	1,679,602
Non-controlling interests		29,766	27,846
Total equity		1,852,129	1,707,448

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, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 November 2010.

The Group is principally engaged in the manufacture 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 statements 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 2012. 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 is attributed to the non-controlling interest even if it 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 Presentation of Items of Other Comprehensive Income — Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendments have no impact on the Company's financial position or performance. The amendments become effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Company's first annual report after becoming effective.

IAS 19 Employee Benefits - Amendments to IAS 19

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 amendments have no impact on the Company's financial position or performance. The amendments become 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 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates 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 revised standard has no impact on the Company's financial position or performance and it becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans — Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRSs. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendments are effective for annual periods on or after 1 January 2013 and have no impact on the Company.

IFRS 7 — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's 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 was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. 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 the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate 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 addresses 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. 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 12 Disclosure of Interests in 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, but has no impact on the Company's financial position or performance. 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 IFRSs 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 IFRSs when fair value is required or permitted. 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.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Company

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.

Amendments to IFRS 10, IFRS 11 and IFRS 12-Transition Guidance

Effective for annual periods beginning on or after 1 January 2013.

Amendments to IFRS 10, IFRS 12 and IAS 27(Revised)-Investment Entities

Effective for annual periods beginning on or after 1 January 2014

Annual Improvements 2009-2011 Cycle (issued in May 2012)

These improvements will not have an impact on the Company, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRSs in the past and chooses, or is required, to apply IFRSs, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRSs.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property, Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventories.

IAS 32 Financial Instruments: Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

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, manufacture and sale 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, manufacture and sale 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 distribution of strollers; and

(d) Domestic — Other durable juvenile products segment, which engages in the sourcing and distribution 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 2012	Overseas (HK$'000)			Domestic (HK$'000)			Consolidated (HK$'000)
	Strollers and accessories	*Other durable juvenile products*	*Subtotal*	*Strollers and accessories*	*Other durable juvenile products*	*Subtotal*	
Segment revenue:							
Sales to external customers	1,485,812	1,765,577	3,251,389	584,823	718,250	1,303,073	4,554,462
Intersegment sales	164,207	435,858	600,065	—	—	—	600,065
			3,851,454			1,303,073	5,154,527
Reconciliation:							
Elimination of intersegment sales							(600,065)
Revenue							4,554,462
Cost of sales							(3,682,571)
Other income and gains							54,030
Operating costs							(702,651)
Other expenses							(3,381)
Finance costs — net							(3,986)
Profit before tax							215,903

Year ended 31 December 2011	Overseas (HK$'000)			Domestic (HK$'000)			Consolidated (HK$'000)
	Strollers and accessories	*Other durable juvenile products*	*Subtotal*	*Strollers and accessories*	*Other durable juvenile products*	*Subtotal*	
Segment revenue:							
Sales to external customers	1,514,031	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							3,941,672
Cost of sales							(3,267,990)
Other income and gains							106,109
Operating costs							(572,389)
Other expenses							(5,729)
Finance costs — net							(7,868)
Profit before tax							193,805

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 2012					
Segment revenue:					
Sales to external customers	1,271,032	1,330,118	1,303,073	650,239	4,554,462
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

The revenue information above is based on the locations of the customers.

(b) **Non-current assets**

Since all non-current assets, other than deferred tax assets, 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 the total net sales of the Group are as follows:

	2012	2011
	(HK$'000)	*(HK$'000)*
Revenue	1,704,538	1,587,018

The above sales to a customer were 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 is as follows:

	2012 *(HK$'000)*	**2011** *(HK$'000)*
Revenue:		
Sales of goods	4,554,462	3,941,672
Other income and gains:		
Net foreign exchange gain	—	52,856
Government grants (note (a))	29,770	21,507
Gain on sales of materials	13,666	8,031
Gain on wealth investment products (note (b))	3,076	—
Compensation income (note (c))	2,101	3,261
Service fee income (note (d))	2,431	2,649
Fair value gains on derivative financial instruments	—	13,947
Others	2,986	3,858
Total	54,030	106,109

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 the gain achieved from wealth investment products.

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

6. FINANCE INCOME

	2012 *(HK$'000)*	2011 *(HK$'000)*
Interest income on bank deposits	7,911	3,749

7. FINANCE COSTS

	2012 *(HK$'000)*	2011 *(HK$'000)*
Interest expense on bank loans and borrowings	11,897	11,617

8. PROFIT BEFORE TAX

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

	2012 *(HK$'000)*	2011 *(HK$'000)*
Cost of inventories recognised as expenses	3,902,763	3,477,403
Cost of services provided	3,728	3,606
Depreciation of items of property, plant and equipment	93,232	73,194
Amortisation of intangible assets	4,158	3,492
Amortisation of land lease payments	2,556	2,793
Research and development costs ("R&D")	116,090	118,479
Lease payments under operating leases in respect of properties	45,832	37,882
Auditors' remuneration	4,792	4,247
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	699,456	678,397
Pension scheme contributions	22,927	22,978
	722,383	701,375
Share option expense	9,752	—
Net foreign exchange losses/(gains)	1,565	(52,856)
Provision for impairment of receivables	1	245
Write-down of inventories	41	1,032
Product warranties	16,827	1,864
Fair value gains on derivative financial instruments	—	(13,947)
Loss on disposal of items of property, plant and equipment	138	1,732
Bank interest income	(7,911)	(3,749)

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 rates range 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.

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 (the "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 the 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 are as follows:

	2012 (HK$'000)	2011 (HK$'000)
Current income tax - PRC		
- Income tax for the year	23,955	3,516
- Under/(over) provision in prior years (note (a))	54	(12,330)
	24,009	(8,814)
United States state and federal income tax	1,512	2,013
Japan income tax	33	—
Netherlands income tax	84	59
Hong Kong profits tax	8,713	9,681
Deferred income tax	(1,571)	13,178
Income tax expense reported in the statement of comprehensive income	32,780	16,117

Note (a): As previously disclosed in 2011, the board of directors of an indirect wholly-owned domestic subsidiary of the Company resolved to reduce its 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) of over-provided withholding income tax in 2011'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:

	2012 *(HK$'000)*	**2011** *(HK$'000)*
Profit before tax	215,903	193,805
Expected income tax on profit before tax, calculated at the applicable tax rate of 25%	53,976	48,452
Lower tax rate for specific provision	(14,456)	(15,233)
Tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	(8,744)	(9,771)
Under/(over) provision in prior years	54	(12,330)
Non-taxable income	(19)	(5,152)
Non-deductible expenses	1,969	538
Deferred tax liability on withholding tax (note(a))	—	9,613
Income tax expense	32,780	16,117

Note (a): Pursuant to the Board resolutions of GCPC, Paragon Child Products Co., Ltd. ("PCPC") and Ningbo Goodbaby Child Products Co., Ltd. ("GCPN") dated 13 March 2013, all of which are directly or indirectly controlled by GBHK, profits earned by the aforesaid companies in 2012 will not be appropriated to GBHK in 2012 and onwards. Hence, deferred tax liability arising from the withholding tax on profits generated by the aforesaid companies in the current year is not applicable as of 31 December 2012.

10. DIVIDENDS

	2012 *(HK$'000)*	**2011** *(HK$'000)*
Final dividend proposed subsequent to the reporting period — HK5 cents per ordinary share (2011: HK5 cents)	50,000	50,000
Net	50,000	50,000

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 (2011: 1,000,000,000).

The calculation of basic earnings per share is based on:

	2012	**2011**
	(HK$'000)	*(HK$'000)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	181,207	176,915

	2012	**2011**
	('000)	*('000)*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,000,000	1,000,000

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year.

12. INVENTORIES

	2012	**2011**
	(HK$'000)	*(HK$'000)*
Raw materials	219,782	251,186
Work in progress	106,550	79,138
Finished goods	298,524	346,443
	624,856	676,767

13. TRADE AND NOTES RECEIVABLES

	2012 (HK$'000)	2011 (HK$'000)
Trade receivables	750,670	616,135
Notes receivable	8,510	26,780
	759,180	642,915
Impairment of the trade receivables	(452)	(488)
	758,728	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 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:

	2012 (HK$'000)	2011 (HK$'000)
Within 3 months	730,377	607,354
3 to 6 months	17,355	7,070
6 months to 1 year	2,399	1,202
Over 1 year	87	21
	750,218	615,647

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

	2012 (HK$'000)	2011 (HK$'000)
At beginning of year	488	429
Recognition of impairment for the year	1	245
Amounts written off	(37)	(186)
At end of year	452	488

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

	2012 (HK$'000)	2011 (HK$'000)
Neither past due nor impaired	684,505	577,591
Less than 1 month past due	45,966	32,081
1 to 2 months past due	13,389	4,352
2 to 3 months past due	3,739	1,115
Over 3 months and within 1 year past due	2,619	508
At end of year	750,218	615,647

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. AVAILABLE-FOR-SALE INVESTMENTS

	2012	**2011**
	(HK$'000)	*(HK$'000)*
Unlisted investments, at fair value	123,335	—

The above investments consist of investments in wealth investment products which were designated as available-for-sale financial assets and have maturity within one month and coupon rate ranging from 3% to 4.5% per annum.

The wealth investment products all matured in January 2013 with principals and interest fully received.

15. 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:

	2012	**2011**
	(HK$'000)	*(HK$'000)*
Within 3 months	690,291	719,854
3 to 12 months	90,635	130,188
1 to 2 years	5,352	4,277
2 to 3 years	3,654	1,930
Over 3 years	1,336	1,053
	791,268	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.

16. INTEREST-BEARING BANK BORROWINGS

	2012			2011		
	Effective interest rate (%)	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*
Current						
Unsecured bank loans	—	—	—	3.66-6.26	2012	86,725
Bank borrowings pledged by intra-group trade receivables	0.81-1.32	2013	220,783	3.90-4.60	2012	239,773
Total			220,783			326,498

All short term bank borrowings were obtained from third party financial institutions. As at 31 December 2012, a subsidiary had pledged trade receivables of approximately HK$246,242,000 (2011: HK$256,835,000) to secure certain of the Group's bank loans and these trade receivables had been eliminated at the group level.

	2012	2011
	(HK$'000)	*(HK$'000)*
Analysed into:		
Bank loans repayable:		
Within one year	220,783	326,498
	220,783	326,498

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the financial year ended 31 December 2012, the Group recorded total revenue of approximately HK$4,554.5 million, representing an increase of approximately 15.5% as compared to HK$3,941.7 million in 2011. Operating gross profit was approximately HK$871.9 million, representing an increase of approximately 29.4% as compared to HK$673.7 million in 2011. Profit for the year reached approximately HK$183.1 million, representing an increase of approximately 3.0% as compared to HK$177.7 million in 2011. Of which, profit from core operations (referring to operating profit after deducting other income and other expenses) was approximately HK$169.2 million, representing an increase of approximately 67.0% as compared to approximately HK$101.3 million in 2011.

From a geographical perspective, the increase in the Group's revenue was attributable to revenue growth across all our major markets, namely, China[Note 1], North America[Note 1], European Market[Note 1] and Other Overseas Markets[Note 1]. For the financial year ended 31 December 2012, the Group's revenue derived from these four markets grew by 30.2%, 16.6%, 3.9% and 12.6% respectively as compared to the revenue in 2011. From a products perspective, the increase in the Group's revenue was attributable to a growth in revenue across all product categories. For the financial year ended 31 December 2012, the Group's revenue derived from strollers and accessories, car seats and accessories and other durable juvenile products grew by 7.1%, 46.6% and 17.6% respectively as compared to the revenue of 2011. For a detailed analysis of the Group's revenue and profit, please refer to the section headed "Financial Review" of this announcement.

Note 1: For purposes of this announcement, "China" means the People's Republic of China, excluding Taiwan, Hong Kong Special Administrative Region and Macao Special Administrative Region; "North America" means the United States and Canada; "European Market" means countries in Europe to which the Group sells its products, namely, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom; "Other Overseas Markets" mean overseas markets other than North America and European Market, namely, Russia, Japan, South America, Middle East, Southeast Asia and India.

KEY OPERATIONS REVIEW AND OUTLOOK

1. Outstanding performance in the China market.

   (1) Rapid revenue growth. Benefiting from effective implementation of our strategy in the China market, the Group's revenue derived from the China market reached HK$1,303.1 million in 2012, representing an increase of approximately 30.2% as compared to HK$1,000.8 million in 2011 (the Group's revenue derived from the China market in 2011 increased by 20.5% as compared to its revenue derived from the China market in 2010). The revenue from China market accounted for 28.6% of the Group's revenue in 2012 compared to 25.4% in 2011.

   (2) Steady growth in gross profit margin. Benefiting from consumption upgrade in the China market and the Group's highly competitive products, the Group's gross profit margin in the China market increased steadily from 24% in 2011 to 25.5% in 2012.

   (3) Double-digit growth across all product lines. In 2012, the Group's product lines in the China market, including strollers, car seats, ride-ons and related products, and other durable juvenile products, have all recorded at least double-digit growth. The performances of strollers and car seats were particularly outstanding, which grew by 39.4% and 175.9% respectively as compared to 2011.

   (4) Parallel growth of two core brands. In 2012, revenue from products of the Group's two core brands in the China market, namely the "Goodbaby" brand and the "Happy Dino" brand, recorded strong growth. It is particularly encouraging to note that revenue from the higher price and higher gross profit margin products sold under the "Goodbaby" brand continued to maintain faster growth. In 2012, the Group's revenue from products under the "Goodbaby" brand and the "Happy Dino" brand accounted for 45.4% and 54.6% respectively of the total revenue from the China market, and revenue from the two brands grew by 40.4% and 22.8% respectively as compared to 2011.

(5) Continued development of in-depth distribution management system. In 2012, while maintaining strong coverage of major department stores and hypermarkets, the Group continued to rapidly expand its direct coverage of the maternity and childcare specialty stores. As at 31 December 2012, the number of maternity and childcare specialty stores that have established direct relationships with the Group increased to 14,201 from 10,894 as at 31 December 2011, of which 11,984 were also covered by the Group's in-depth distribution management system as compared to 7,000 as at 31 December 2011. Meanwhile, the geographical span of the Group's in-depth distribution management system also expanded to 27 provinces and cities as at 31 December 2012 up from 11 provinces and cities as at 31 December 2011. On 1 December 2012, the Group offically implemented its POS terminals project in the maternity and childcare specialty stores to encourage full price consumption through a bonus point redemption policy. This will cultivate customer loyalty and manage market pricing system, and ultimately achieve an end-user driven sales model. As at 31 December 2012, the Group has installed POS terminals in 2,074 maternity and childcare specialty stores.

(6) Full extension of online distribution channels. In 2012, the Company has established a marketing management system specifically addressing online channels. Our system covered 360Buy.com and dangdang.com, and extended its online network with 81 franchise stores and 250 consignment stores. In 2012, we launched over 60 special items and made-to-order products for online sales.

2. Continuous growth and gross profit margin improvement in the overseas markets

(1) Double-digit revenue growth. Benefiting from the continuous implementation of the Group's customer diversification, product diversification and market diversification strategy, the Group's revenue derived from the overseas markets in 2012 was approximately HK$3,251.4 million, representing an increase of 10.6% as compared to approximately HK$2,940.9 million in 2011.

(2) Significant increase in gross profit margin. Benefiting from the Group's improvement in cost efficiency and accelerated launching new products, the Group's gross profit margin in North America and European Market improved in 2012 (as compared to the gross profit margin in 2011). In the Other Overseas Markets, the Group achieved breakthrough progress in its strategy of product optimization and profit improvement. Through implementing specific measures such as product optimization, customers selection, and minimum order controls, the Group significantly improved its profitability in these markets. In 2012, the Group's gross profit margin in the Other Overseas Markets increased to 17.0% from 11.6% in 2011.

(3) Steady development in self-owned brand business. The Group continued to promote its self-owned brands in the Other Overseas Markets and participated in a series of industry exhibitions, including the Hong Kong Toys & Games Fair, the Toys & Kids Russia, the Tokyo Baby & Kids Expo and the Seoul International Fair for Mother & Baby. Through launching in new products with brand new concepts, the Group has given peers in our industry an in-depth understanding of the "gb" brand and has also gained brand recognition from them. During 2012, the Group recorded revenue of HK$330.2 million attributable to self-owned brand products, representing an increase of 36.0% as compared to the corresponding period in previous year.

3. Remarkable achievements of the product diversification strategy

In recent years, while continuing to strengthen and develop its stroller products and maintaining continuing growth in the Group's stroller business, the Group has also strived to accelerate the development of its car seats and other durable juvenile product business. In 2012, the Group's revenue attributable to products other than strollers and accessories amounted to HK$2,483.9 million, accounting for 54.5% of the Group's total revenue and representing an increase of 23.7% as compared to 2011, of which revenue attributable to car seats and accessories amounted to approximately HK$618.0 million, representing an increase of 46.6% as compared to 2011, and revenue attributable to other durable juvenile products amounted to approximately HK$1,865.9 million, representing an increase of 17.6% as compared to 2011. In 2012, the Group launched a total of 231 new car seats and other durable juvenile products. As at 31 December 2012, a total of 261 new such products are at the research and development stage.

4. Sustained enhancement in core capabilities

In 2012, the Group launched a total of 491 new products, of which 68 were brand-new products and 423 were improved products. Meanwhile, the Group has applied for a total of 535 patents in 2012. As at 31 December 2012, there were 499 new products at the research and development stage, of which 184 were brand-new products and 315 were improved products. Meanwhile, the Group is committed to expanding the development of high value-added new products. In 2012, the Group continued to promote revolutionary products and brand-new design concepts, with the most representative including reversible handle umbrella strollers, single and double convertible stroller, intelligent rocking chair and intelligent car seat, all of which were pioneered by us in the industry. In March 2013, the Group won the Red Dot Design Award for the third time for the Gramma stroller products developed by the Group in 2012, following its winning of the award for its Emotion products and E-pushchair Myothronic products in 2010 and 2011 respectively, reflecting that the Group's strength in R&D continued to be highly recognized by international organizations.

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 following recognition by Societe Generale de Surveillance ("SGS") of Switzerland and TUV Nord Group of Germany as their collaborating laboratory in 2011. In 2012, the central laboratory of the Group also became the ECE R44 certification testing laboratory for children's car seats accredited by TUV Nord Group and SGS.

As at of the end of 2012, the Group has led or participated in the compilation or revision of an accumulated 57 PRC national standards, of which 25 were in 2012; participated in voting of an accumulated 78 US standards, of which the Group participated in 48 standards in 2012; participated in the revision of one European standard in the cumulative, of which the Group participated in one standard in 2012, and participated in the compilation of one Japanese national standard in the cumulative, of which the Group participated in one standard in 2012. On 1 July 2012 and 1 August 2012, the PRC national standards on children's car seat products and juvenile furniture, with participation from the Group throughout its entire compilation process, were officially implemented.

In 2012, the Group integrated its manufacturing resources in China and continued to increase the percentage of outsourcing, and the percentage of outsourced accessories increased to 50% from 45% in previous year. The percentage of outsourcing for accessories held-for-sale and finished products increased to 25.5% from 19.9% in previous year. Meanwhile, through the effective organization of production lines, enhancement in automation and streamlined management, the Group effectively coped with challenges from rigidly rising labor cost.

The Group was among the first in the world to introduce the "Cradle to Cradle" ("C2C") carbon-free and recycling concept to the global durable juvenile products sector. In 2012, the C2C project continued to develop. The Group launched the second generation C2C products for the first time at the Shanghai Toy Expo 2012, and the project was also displayed at the Floriade International Gardening Expo in the Netherlands. The United Nations Industrial Development Organization ("UNIDO") also conducted a site visit of the project which received public attention from both within and outside of the industry. The Group's research project on the application of the C2C concept has been running for over 4 years. Our continuous investment and development in this area will give the Group a head start in establishing leading position in the future and taking the global durable juvenile product industry to new heights.

The global economy will continue to face uncertainties in 2013, with the weak growth momentum in the total retail sales figure for social consumption goods in China. Meanwhile, we have also observed a certain degree of rigidity in the durable juvenile products operated by the Group. In 2013 and as we have done so in the past, we will continue to implement the Group's core strategies and policies which are as follows:

(1) We will continue to proceed with an in-depth distribution management system in the China market in order to penetrate all levels of retail outlets across China, grasp end-user consumption pattern of maternity and childcare specialty stores through the POS system in order to gain good understanding of market trends and consumer demands. We continued to expand the coverage of our e-commerce platforms, covering Sunning, Tencent and Gome, and further develop online distributors, online franchise stores and made-to-order business model. In addition, we commenced online branding marketing, promoting the pre-sale business model and developing the "online to offline" (O2O) interactive sales model. All these aimed to reinforce our strong foothold in traditional channels such as department stores and hypermarkets, enhance brand image and maintain a rapid growth in the China market.

(2) In the international market, we are still facing enormous uncertainties in demand. On the basis of maintaining stable operations for our existing business, we will double our efforts in the implementation of proactive marketing strategies to broaden our customer base. We will invest in market-oriented new products targeting the full spectrum of sales channels and customer base in order to fully cover all market segments.

(3) We will continue to promote our self-owned brands in the Other Overseas Markets, develop targeted high value-added new products and enhance the market position of our self-owned brands.

In addition, the Group will continue to implement its product diversification strategy and will strive to extend the brand influence of our stroller business to the business of car seats and other durable juvenile products. We will also continue to actively develop our outsourcing capabilities in order to reduce procurement costs, improve supply chain efficiency and strengthen the development of our core capabilities to provide in a timely and effective manner strong support to respond to market changes.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by 15.5% from approximately HK$3,941.7 million for the year ended 31 December 2011 to approximately HK$4,554.5 million for the year ended 31 December 2012.

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 2012 vs 2011**
	2012		**2011**		
	Sales (HK$ million)	*% of sales*	*Sales (HK$ million)*	*% of sales*	*Growth*
European Market	1,271.0	27.9%	1,222.8	31.0%	3.9%
North America	1,330.1	29.2%	1,140.8	28.9%	16.6%
China	1,303.1	28.6%	1,000.8	25.4%	30.2%
Other Overseas Markets	650.3	14.3%	577.3	14.7%	12.6%
Total	4,554.5	100.0%	3,941.7	100.0%	15.5%

Revenue from European Market increased by 3.9% to approximately HK$1,271.0 million for the year ended 31 December 2012 from approximately HK$1,222.8 million for the year ended 31 December 2011. Such increase was attributable to the increase in revenue from car seats and accessories and other durable juvenile products, which was partially offset by the decrease in revenue from strollers and accessories.

Revenue from North America increased by 16.6% to approximately HK$1,330.1 million for the year ended 31 December 2012 from approximately HK$1,140.8 million for the year ended 31 December 2011. Such increase was attributable to overall increase in revenue from all product lines.

Revenue from China increased by 30.2% to approximately HK$1,303.1 million for the year ended 31 December 2012 from approximately HK$1,000.8 million for the year ended 31 December 2011. Such increase was attributable to overall increase in revenue from all product lines.

Revenue from Other Overseas Markets increased by 12.6% to approximately HK$650.3 million for the year ended 31 December 2012 from approximately HK$577.3 million for the year ended 31 December 2011. Such increase was attributable to the increase in revenue from strollers and accessories and car seats and accessories.

Revenue by Products

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

	For the year ended 31 December				**Growth analysis 2012 vs 2011**
	2012		**2011**		
	Sales (HK$ million)	*% of sales*	*Sales (HK$ million)*	*% of sales*	*Growth*
Strollers and accessories	2,070.6	45.4%	1,933.6	49.1%	7.1%
Car seats and accessories	618.0	13.6%	421.5	10.7%	46.6%
Other durable juvenile products	1,865.9	41.0%	1,586.6	40.2%	17.6%
Total	4,554.5	100.0%	3,941.7	100.0%	15.5%

Revenue from strollers and accessories increased by 7.1% to HK$2,070.6 million for the year ended 31 December 2012 from approximately HK$1,933.6 million for the year ended 31 December 2011. Such increase was attributable to increased revenue from China, North America and Other Overseas Markets, which was partially offset by decreased revenue from European Market.

Revenue from car seats and accessories increased by 46.6% to approximately HK$618.0 million for the year ended 31 December 2012 from approximately HK$421.5 million for the year ended 31 December 2011. Such increase was attributable to increased revenue from all regions.

Revenue from other durable juvenile products increased by 17.6% to approximately HK$1,865.9 million for the year ended 31 December 2012 from approximately HK$1,586.6 million for the year ended 31 December 2011. Such increase was attributable to increased revenue from China, North American and European Market.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by 12.7% from approximately HK$3,268.0 million for the year ended 31 December 2011 to approximately HK$3,682.6 million for the year ended 31 December 2012. Such increase was primarily due to increased costs due to higher production driven by higher demand for the Group's products.

As a result of the foregoing, gross profit increased by 29.4% from approximately HK$673.7 million for the year ended 31 December 2011 to approximately HK$871.9 million for the year ended 31 December 2012. Gross profit margin increased from 17.1% for the year ended 31 December 2011 to 19.1% for the year ended 31 December 2012. The improvement in gross profit margin was mainly attributable to higher proportion of gross profit by China and Other Overseas Markets.

Other Income and Gains

Other income and gains decreased by HK$52.1 million from approximately HK$106.1 million for the year ended 31 December 2011 to approximately HK$54.0 million for the year ended 31 December 2012. Such decrease was mainly due to realization of gains of approximately HK$50.4 million on forward currency contracts settled and unsettled during the period ended 31 December 2011 while there were losses of approximately HK$3.2 million on forward currency contracts settled during the period ended 31 December 2012 (such losses are included in the financial statements under "other expenses"). The breakdown of such gains and losses is set out as follows:

	For the year ended 31 December	
	2012	**2011**
	(HK$ million)	*(HK$ million)*
Foreign exchange gains from forward currency contracts settled during the year ended 31 December	10.7	33.6
Fair value gains on unsettled forward currency contracts during the year ended 31 December	—	13.9
Adjusted (losses)/gains for the prior year (based on the fair value gains on forward currency contracts unsettled as at 31 December of the prior year)	(13.9)	2.9
Net (losses)/gains	(3.2)	50.4

As majority of the Group's revenue is generated from sales settled in US dollar while the Group's cost is mainly paid in RMB, any fluctuations in exchange rates of the RMB against the US dollar may cause uncertainty to the Group's profitability. Any depreciation of the RMB against the US dollar will result in a gain to the Group and any appreciation of the RMB against the US dollar will result in a loss to the Group, assuming all other factors remain unchanged. Therefore, the Group manages such uncertainty through purchase of forward exchange contracts denominated in US dollar from time to time to enable the Group to plan and manage its businesses settled in US dollar (e.g. product prices and gross profit) at particular locked-in rates.

As at 31 December 2012, the Group did not have any unsettled forward exchange contracts denominated in US dollar.

Selling and Distribution Expenses

Our selling and distribution costs primarily consist of promotion, salary and transportation expenses. Our selling and distribution costs increased by 32.5% to approximately HK$359.4 million for the year ended 31 December 2012 from approximately HK$271.3 million for the year ended 31 December 2011. Such increase in selling and distribution costs was mainly due to increased salary, transportation expenses, marketing and promotion expenses and office expenses.

Administrative Expenses

Administrative expenses primarily consists of salary, research and development expenses and office expenses.

Our administrative expenses increased by 14.0% from approximately HK$301.1 million for the year ended 31 December 2011 to approximately HK$343.3 million for the year ended 31 December 2012. Such increase was mainly due to higher office expenses and salary.

Other Expenses

Other expenses for the year ended 31 December 2012 amounted to approximately HK$3.4 million as compared to approximately HK$5.7 million for the year ended 31 December 2011.

Operating Profit

As a result of the foregoing, operating profit increased by 9.0% from approximately HK$201.7 million for the year ended 31 December 2011 to approximately HK$219.9 million for the year ended 31 December 2012.

Finance Income

Finance income increased from approximately HK$3.7 million for the year ended 31 December 2011 to approximately HK$7.9 million for the year ended 31 December 2012. Finance income entirely represents interest income on bank deposits.

Finance Costs

Finance costs for the year ended 31 December 2012 amounted to approximately HK$11.9 million as compared to approximately HK$11.6 million for the year ended 31 December 2011.

Profit Before Tax

As a result of the foregoing, profit before tax of the Company (representing the aggregate of gross profit, other income, administrative expenses, selling and distribution expenses, other expenses, finance costs and finance income) increased by 11.4% from approximately HK$193.8 million for the year ended 31 December 2011 to approximately HK$215.9 million for the year ended 31 December 2012.

Income Tax Expense

Income tax expense for the year ended 31 December 2012 amounted to approximately HK$32.8 million as compared to approximately HK$16.1 million for the year ended 31 December 2011. The effective tax rate for the year ended 31 December 2012 was approximately 15.2% as compared to approximately 8.3% for the year ended 31 December 2011.

Profit for the Year

Profit for the year increased by 3.0% from approximately HK$177.7 million for the year ended 31 December 2011 to approximately HK$183.1 million for the year ended 31 December 2012.

Working Capital and Financial Resources

	As at 31 December 2012 *(HK$ million)*	As at 31 December 2011 *(HK$ million)*
Trade and notes receivables (including trade receivables due from related parties)	892.7	762.4
Trade and notes payables	791.3	857.3
Inventories	624.9	676.8
Trade and notes receivables turnover days[(1)]	66	62
Trade and notes payables turnover days[(2)]	82	86
Inventories turnover days[(3)]	65	70

Notes:

(1) Trade and notes receivables turnover days = Number of days in the reporting period x (Average balance of trade and notes 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 balance of trade and note receivables increased by HK$130.3 million from approximately HK$762.4 million as at 31 December 2011 to approximately HK$892.7 million as at 31 December 2012. The increase was mainly attributable to a year-on-year increase in sales of the Group in the fourth quarter of 2012.

The balance of trade and notes payables decreased by HK$66 million from approximately HK$857.3 million as at 31 December 2011 to approximately HK$791.3 million as at 31 December 2012. The decrease was mainly due to our enhanced inventory management and reduced purchases of inventory while ensuring normal production and operation, hence reducing inventory balances.

The balance of inventories decreased by HK$51.9 million from approximately HK$676.8 million as at 31 December 2011 to approximately HK$624.9 million as at 31 December 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 31 December 2012, the Group's cash and cash equivalents were approximately HK$633.4 million, of which: HK$525.8 million were denominated in Renminbi, HK$1.3 million were denominated in HK dollars and HK$106.3 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$0.7 million were denominated in HK dollars and HK$60.3 million were denominated in other currencies.)

As at 31 December 2012, the Group's interest-bearing bank borrowings were approximately HK$220.8 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$220.8 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 31 December 2012 and those in corresponding period were charged at variable interest rate.

Contingent Liabilities

As at 31 December 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 year ended 31 December 2012, approximately 71.4% 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 appreciated by approximately 0.2% against the U.S. dollar during the year ended 31 December 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 31 December 2012, the Group has not held outstanding U.S. dollar denominated forward currency contracts.

Pledge of Assets

As at 31 December 2012, some of the Group's interest-bearing bank borrowings were pledged by intragroup trade receivables of approximately HK$246.2 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 31 December 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 26.8% (as at 31 December 2011: approximately 27.3%).

Employees and Remuneration Policy

As at 31 December 2012, the Group had a total of 13,207 full-time employees (as at 31 December 2011, the Group had a total of 14,245 full-time employees). For the year ended 31 December 2012, employee costs, excluding directors' emoluments, amounted to a total of HK$710.2 million (for the year ended 31 December 2011, employee costs, excluding directors' emoluments, amounted to a total of HK$689.4 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 (the "Share Option Scheme") on 5 November 2010. During the year of 2012, 30,551,000 share options were granted, out of which 7,000 share options were not accepted. Up to 31 December 2012, 1,348,000 share options had lapsed and no share options have been exercised. As at 31 December 2012, the outstanding share options were 29,196,000.

Use of Proceeds from Initial Public Offering

On 24 November 2010, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited and raised net proceeds of approximately HK$894.3 million. As at 31 December 2012, the Company has used approximately HK$733.6 million from such proceeds in accordance with the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 11 November 2010 (the "Prospectus").

Such proceeds have been used for the following purposes as at 31 December 2012:

Use	Approximate percentage of net proceeds	Approximate amount of net proceeds *(in HK$ million)*	Approximate amount utilized *(in HK$ million)*	Approximate amount remaining *(in HK$ million)*
Capital expenditure to expand our production capacity at our existing stroller plants in Kunshan and Ningbo, increase our production efficiency through purchases of more advanced machines, and to construct a new staff hostel and canteen	30%	268.3	208.3	60.0
Research and development and commercialization of products, including new children's car seat products and other new products	20%	178.8	78.1	100.7
Improvement of our general market research, product development and design capability in Kunshan and our overseas research centers	15%	134.1	134.1	—
Expansion and enhancement of our distribution network in China and our overseas markets	15%	134.1	134.1	—
Marketing and promotion of our brands	10%	89.5	89.5	—
Working capital and other general corporate purposes	10%	89.5	89.5	—
Total	100%	894.3	733.6	160.7

The balance of the unutilized proceeds of approximately HK$160.7 million, deposited in normal interest bearing saving accounts which are short-term demand deposits, will be applied by the Company as stated in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

OTHER INFORMATION

Final Dividend

At the Board meeting held on 19 March 2013, 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 7 June 2013 to the shareholders of the Company whose names appear on the Company's register of members on 30 May 2013 at 4:30 p.m.. The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 24 May 2013.

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 24 May 2013 (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 Periods and Record Dates

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

The Company's register of members will be closed from 20 May 2013 (Monday) to 24 May 2013 (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 16 May 2013 (Thursday) 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 2012, the record date and time are fixed on 30 May 2013 (Thursday) at 4:30 p.m.. 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 30 May 2013 (Thursday) for registration of the relevant transfer.

Corporate Governance

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and formulate its business strategies and policies as well as to enhance corporate value and accountability.

The Company has applied the principles set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules and has also put in place certain recommended best practices as set out in the CG Code.

The Board is of the opinion that throughout the year ended 31 December 2012, the Company has complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the CG Code (applicable to financial report covering a period after 1 April 2012) and former CG Code from 1 January 2012 to 31 March 2012, save for the deviations from code provisions A.2.1 and A.6.7, which are explained as follows:-

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 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 to develop a balanced understanding of the views of shareholders.

Due to other commitments, the following non-executive Directors and independent non-executive Directors of the Company did not attend the general meetings of the Company held in 2012:

Name of Director	Annual general meeting held on 25 May 2012	Extraordinary general meeting held on 7 December 2012
Non-executive Director		
Christopher Marcus Gradel (who has since resigned with effect from 1 February 2013)	Absent	Absent
Chiang Yun	Absent	Absent
Independent non-executive Director		
Iain Ferguson Bruce	(Attended)	Absent
Long Yongtu	Absent	Absent

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. 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 both attended the annual general meeting whereas Mr. Shi Xiaoguang has also attended the aforesaid extraordinary general meeting for exchanging views with the shareholders.

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 2012.

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 2012.

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 2012.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") consists of Mr. Iain Ferguson Bruce, Mr. Shi Xiaoguang and Mr. 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 2012 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 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, 19 March 2013

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