Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2013

Financial Highlights

- Revenue for the six months ended 30 June 2013 was approximately HK$2,077.0 million, down 10.1% as compared with approximately HK$2,311.1 million for the corresponding period in 2012;

- Gross profit for the six months ended 30 June 2013 was approximately HK$480.4 million, up 9.1% as compared with approximately HK$440.3 million for the corresponding period in 2012, which translated to a gross profit margin of approximately 23.1% for the six months ended 30 June 2013 as compared with approximately 19.1% for the corresponding period in 2012; and

- Profit for the six months ended 30 June 2013 was approximately HK$97.8 million, down 2.9% as compared with approximately HK$100.7 million for the corresponding period in 2012, which translated to a profit margin of approximately 4.7% for the six months ended 30 June 2013 as compared with approximately 4.4% for the corresponding period in 2012. Among which:

Unit (HK$ million)		**Six months ended June 2013**	**Six months ended June 2012**	**Growth rate**
Revenue		2,077.0	2,311.1	-10.1%
Among which :	revenue from domestic markets	793.7	732.2	8.4%
	revenue from overseas markets	1,283.3	1,578.9	-18.7%
Gross margins		480.4	440.3	9.1%
Operating profit		107.5	126.6	-15.1%
Profit for the period		97.8	100.7	-2.9%

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 2013, together with the comparative figures for the corresponding period in 2012.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE

	Notes	**2013** *(HK$'000)* *(Unaudited)*	**2012** *(HK$'000)* *(Unaudited)* *Restated**
Revenue	4,5	2,076,982	2,311,087
Cost of sales		(1,596,560)	(1,870,796)
Gross profit		480,422	440,291
Other income	5	19,030	17,665
Selling and distribution costs		(214,096)	(157,890)
Administrative expenses		(170,884)	(163,100)
Other expenses		(6,933)	(10,343)
Share of losses of a joint venture		(17)	(17)
Operating profit		107,522	126,606
Finance income	6	3,969	2,186
Finance costs	7	(2,365)	(9,040)
Profit before tax	8	109,126	119,752
Income tax expense	9	(11,304)	(19,033)
Profit for the period		97,822	100,719

	Notes	**2013**	**2012**
		(HK$'000)	*(HK$'000)*
		(Unaudited)	*(Unaudited)*
			*Restated**
Profit for the period attributable to:			
Owners of the parent		97,007	100,490
Non-controlling interests		815	229
		97,822	100,719
Earnings per share attributable to ordinary equity holders of the parent:	11		
Basic			
- For profit for the period (HK$)		0.10	0.10
Diluted			
- For profit for the period (HK$)		0.10	0.10

Details of the dividends payable and proposed for the period are disclosed in note 10 to the interim condensed consolidated financial statements.

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements as at 30 June 2012 and reflect adjustments as detailed in note 18.

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

	Notes	**2013** *(HK$'000)* *(Unaudited)*	**2012** *(HK$'000)* *(Unaudited)*
Profit for the period		97,822	100,719
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		21,054	(6,511)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		21,054	(6,511)
Other comprehensive income, net of tax		21,054	(6,511)
Total comprehensive income, net of tax		118,876	94,208
Total comprehensive income attributable to:			
Owners of the parent		117,524	94,134
Non-controlling interests		1,352	74
		118,876	94,208

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	**As at 30 June 2013** *(HK$'000)* *(Unaudited)*	**As at 31 December 2012** *(HK$'000)* *(Audited)* *Restated**
NON-CURRENT ASSETS			
Property, plant and equipment		682,415	675,954
Prepaid land lease payments		68,045	68,022
Intangible assets		36,451	35,352
Investment in a joint venture		966	983
Deferred tax assets		19,495	14,633
Total non-current assets		807,372	794,944
CURRENT ASSETS			
Inventories	12	716,342	624,856
Trade and notes receivables	13	606,206	758,728
Prepayments and other receivables		132,943	123,319
Due from related parties		269,888	133,487
Available-for-sale investments	14	37,660	123,335
Cash and cash equivalents		938,847	633,010
Total current assets		2,701,886	2,396,735
CURRENT LIABILITIES			
Trade and notes payables	15	719,498	791,268
Other payables, advances from customers and accruals		352,995	289,798
Interest-bearing bank borrowings	16	434,355	220,783
Dividends payable		12,727	1
Income tax payable		22,652	7,400
Provision		14,275	11,722
Total current liabilities		1,556,502	1,320,972

	Notes	As at 30 June 2013 (HK$'000) (Unaudited)	As at 31 December 2012 (HK$'000) (Audited) Restated*
NET CURRENT ASSETS		1,145,384	1,075,763
TOTAL ASSETS LESS CURRENT LIABILITIES		1,952,756	1,870,707
NON-CURRENT LIABILITIES			
Deferred tax liabilities		18,909	18,578
Total non-current liabilities		18,909	18,578
Net assets		1,933,847	1,852,129
EQUITY			
Equity attributable to owners of the parent			
Issued capital		10,050	10,000
Reserves		1,892,679	1,762,363
Proposed final dividend		—	50,000
		1,902,729	1,822,363
Non-controlling interests		31,118	29,766
Total equity		1,933,847	1,852,129

* Certain amounts shown here do not correspond to the annual consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in note 18.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 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 manufacturing and distribution of child related products.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting.

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 2012.

3.1 ADOPTION OF NEW AND REVISED IFRSs

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 19 (Revised 2011) Employee Benefits, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

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

- IAS 1 Presentation of Items of Other Comprehensive Income — Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

- IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

- IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

- IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

- IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

- IFRS 12 Disclosure of Interests in Other Entities

- IFRS 13 Fair Value Measurement

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2012.

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.

Six months ended 30 June 2013	**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	575,856	707,448	1,283,304	368,709	424,969	793,678	2,076,982
Intersegment sales	115,038	164,830	279,868	—	—	—	279,868
							2,356,850
Reconciliation:							
Elimination of intersegment sales							(279,868)
Revenue							2,076,982
Cost of sales							(1,596,560)
Other income							19,030
Operating costs							(384,980)
Other expenses							(6,933)
Finance income - net							1,604
Share of profits and losses of: a jointly-controlled entity							(17)
Profit before tax							109,126

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							(320,990)
Other expenses							(10,343)
Finance costs - net							(6,854)
Share of profits and losses of: a jointly-controlled entity							(17)
Profit before tax							119,752

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 2013	2012
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Revenue:		
Sales of goods	2,076,982	2,311,087
Other income:		
Government grants (note (a))	11,807	8,428
Gain on sales of raw materials	613	740
Gain on sales of scrap materials	2,663	3,958
Compensation income (note (b))	990	1,411
Service fee income (note (c))	473	1,551
Gain on wealth investment products (note (d))	2,211	1,187
Others	273	390
Total	19,030	17,665

Note (a): The amount represents subsidies 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.

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. FINANCE INCOME

	Six months ended 30 June	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
- Interest income on bank deposits	3,969	2,186

7. FINANCE COSTS

	Six months ended 30 June	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
- Interest expense on bank loans and borrowings	2,365	9,040

8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Cost of inventories recognized as expenses	1,353,368	1,560,125
Depreciation of property, plant and equipment	51,936	45,251
Amortization of intangible assets	2,513	1,877
Amortization of land lease payments	1,142	1,043
Research and development costs	52,655	56,742
Lease payments under operating leases in respect of properties	22,661	19,054
Auditors' remuneration	2,570	2,449
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	352,470	326,516
Equity-settled share option expense	2,179	5,209
Pension scheme contributions	15,276	12,567
	369,925	344,292
Net foreign exchange losses	5,988	3,003
Provision/(reversal of provision) for impairment of receivables	8	(37)
Product warranty	6,664	8,576
Provision for impairment of inventories	3,935	—
Fair value losses on derivative financial instruments-transaction not qualifying as hedges	—	7,171
Loss/(gain)on disposal of items of property, plant and equipment	202	(109)
Bank interest income	(3,969)	(2,186)

9. INCOME TAX

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

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

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

The Group's subsidiary registered in Japan is subject to income tax based on the taxable income at rates ranging from 20.7% to 35.3% on a progressive basis. In 2012, no income tax in Japan has been provided as there was no taxable income.

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

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

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in the PRC, one of the Group's subsidiaries, Goodbaby Child Products Co., Ltd. ("GCPC"), 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	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Current income tax — PRC		
- Income tax for the period	10,787	14,653
- (Over)/under provision in prior years	(1,813)	54
	8,974	14,707
Oversea income tax	6,996	3,313
Deferred income tax	(4,666)	1,013
Income tax expense reported in the statement of comprehensive income	11,304	19,033

10. DIVIDENDS PAID AND PROPOSED

	Six months ended 30 June	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2012: HK$0.05 (2011: 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 2013 (six months ended 30 June 2012: Nil).

11. 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 1,002,023,711 in issue during the six months ended 30 June 2013, as adjusted to reflect the rights issue during the period (six months ended 30 June 2012: 1,000,000,000).

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	97,007	100,490

	Number of shares Six months ended 30 June	
	2013	**2012**
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,002,023,711	1,000,000,000
Effect of dilution-weighted average number of ordinary shares:		
Share options	6,796,389	—
	1,008,820,100	1,000,000,000

12. INVENTORIES

	As at 30 June 2013	As at 31 December 2012
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Audited)*
Raw materials	234,774	219,782
Work in progress	116,234	106,550
Finished goods	365,334	298,524
	716,342	624,856

13. TRADE AND NOTES RECEIVABLES

	As at 30 June 2013 *(HK$'000)* *(Unaudited)*	As at 31 December 2012 *(HK$'000)* *(Audited)*
Trade receivables	582,772	750,670
Notes receivables	23,894	8,510
	606,666	759,180
Impairment for trade receivables	(460)	(452)
	606,206	758,728

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

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

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

	As at 30 June 2013 *(HK$'000)* *(Unaudited)*	As at 31 December 2012 *(HK$'000)* *(Audited)*
Within 3 months	574,373	730,377
3 to 6 months	6,444	17,355
6 months to 1 year	1,056	2,399
Over 1 year	439	87
	582,312	750,218

14. AVAILABLE- FOR-SALE INVESTMENTS

	As at 30 June 2013 *(HK$'000)* *(Unaudited)*	**As at 31 December 2012** *(HK$'000)* *(Audited)*
Unlisted investments, at fair value	37,660	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 of 5.23% per annum (2012: ranging from 3% to 4.5%).

The welfare investment products all matured in July 2013 with principals and interests 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:

	As at 30 June 2013 *(HK$'000)* *(Unaudited)*	**As at 31 December 2012** *(HK$'000)* *(Audited)*
Within 3 months	674,470	690,291
3 to 12 months	36,492	90,635
1 to 2 years	5,950	5,352
2 to 3 years	1,624	3,654
Over 3 years	962	1,336
	719,498	791,268

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

	As at 30 June 2013			As at 31 December 2012		
	Effective interest rate (%)	**Maturity**	**HK$'000** *(Unaudited)*	**Effective interest rate (%)**	**Maturity**	**HK$'000** *(Audited)*
Current						
Bank borrowings pledged by intra-group trade receivables	1.47-1.78	2013	434,355	0.81-1.32	2013	220,783
Total			434,355			220,783

All short-term bank borrowings were obtained from third party financial institutions. As at 30 June 2013, a subsidiary pledged its trade receivables of approximately HK$488,935,101 (31 December 2012: HK$246,242,000) to secure certain of the Group's bank loans and these trade receivables were eliminated on group level.

17. 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 become 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.

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 2013:

	Weighted average exercise price *HK$ per share*	**Number of options** *'000*
At 1 January 2012	—	—
Granted during the year	2.120	30,544
Forfeited during the year	2.120	(1,348)
At 31 December 2012 , 1 January 2013	2.120	29,196
Forfeited during the period	2.120	(1,232)
Exercised during the period	2.120	(5,030)
At 30 June 2013	2.120	22,934

The weighted average share price at the date of exercise for share options exercised during the period was HK$4.10 per share (2012: No share options were exercised).

The exercise prices and exercise periods of the share options outstanding at the end of the reporting period are as follows:

Number of options '000		**Exercise price** *HK$ per share*	**Exercise period**
As at 30 June 2013	**As at 31 December 2012**		
934	6,146	2.120	3 January 2013 to 2 January 2018
7,260	7,607	2.120	3 January 2015 to 2 January 2018
7,260	7,607	2.120	3 January 2016 to 2 January 2018
7,480	7,836	2.120	3 January 2017 to 2 January 2018
22,934	29,196		

The Group recognised a share option expense of HK$ 2,179,000 during the six months ended 30 June 2013 (six months ended 30 June 2012: HK$5,209,000).

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

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The 5,030,000 share options exercised during the period resulted in the issue of 5,030,000 ordinary shares of the Company and new share capital of HK$50,300 and share premium of HK$10,613,300 (before issue expenses).

At the end of the reporting period, the Company had 22,934,000 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 22,934,000 additional ordinary shares of the Company and additional share capital of HK$229,340, and share premium of HK$48,390,740 (before issue expenses).

At the date of approval of these financial statements, the Company had 22,934,000 share options outstanding under the Scheme, which represented approximately 2.28% of the Company's shares in issue as at that date.

18. SHARE OF INVESTMENTS IN A JOINT VENTURE

Interest in a joint venture (transition to IFRS 11)

The Group has a 51% interest in Kunshan Goodbaby Tommee Tippee Child Products Co., Ltd. ("GCTP"), that is principally engaged in distribution and sales of milk bottles, table ware and toys. GCTP is accounted for as a jointly-controlled entity pursuant to the joint venture contract, and the Group can only appoint half of the board members of GCTP. Under IAS 31 Investment in Joint Ventures (prior to the transition to IFRS 11), the Group's interest in GCTP was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses were proportionately consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Group has determined its interest to be a joint venture and it is required to be accounted for using the equity method. The effect of applying IFRS 11 is as follows:

Impact on the income statement	**Six months ended 30 June 2012** *(HK$'000)*
Decrease in administration expense	18
Increase in operating profit	18
Decrease in finance income	(1)
Increase in share of loss on a joint venture	(17)
Decrease in profit before tax	—
Net impact on profit after tax	—

Impact on the statement of financial position	**As at 31 December 2012** *(HK$'000)*
Increase in net investment in joint venture (non-current)	983
Decrease in cash and cash equivalents (current)	(361)
Decrease in other receivables (current)	(651)
Decrease in accrual expenses (current)	29
Net impact on equity	—

There is no material impact on interim condensed consolidated statement of cash flow or the basic and diluted EPS.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2013, the Group recorded total revenue of approximately HK$2,077.0 million, representing a decrease of approximately 10.1% as compared to the revenue of approximately HK$2,311.1 million in the first half of 2012. Operating gross profit was approximately HK$480.4 million, representing an increase of approximately 9.1% as compared to the operating gross profit of approximately HK$440.3 million in the first half of 2012. Profit for the period was approximately HK$97.8 million, representing a decrease of 2.9% as compared to the profit of approximately HK$100.7 million in the first half of 2012.

From a geographical perspective, the decrease in the Group's revenue was mainly attributable to a decrease in the revenue derived from North America and European Markets. In the first half of 2013, the Group's revenue from these two markets decreased by 28.1% and 26.4%, respectively, as compared to the first half of 2012. During the same period, the Group's revenue from the China market and Other Overseas Markets increased by 8.4% and 22.1%, respectively, as compared to revenue derived in the first half of 2012. From a product category perspective, the decrease in the Group's revenue from all product categories was attributable to a decrease in the revenue derived from the North America and European markets. In the first half of 2013, the Group's revenue derived from strollers and accessories, car seats and accessories and other durable juvenile products decreased by 12.7%, 16.5% and 4.9%, respectively, as compared to the first half of 2012.

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

KEY OPERATIONS REVIEW AND OUTLOOK

1. **Continuous business growth in the China market.**

   (1) Continuous revenue growth. In the first half of 2013, the Group's revenue in the China market was HK$793.7 million, representing an increase of approximately 8.4% as compared to HK$732.2 million in the corresponding period of last year. Of which, revenue from products of the "Goodbaby" brand increased by 17.4%, while revenue from products of the "Happy Dino" brand increased by 1.5%. The slower growth in the revenue from products of the "Happy Dino" brand was mainly due to the adjustment of the procurement supply chain during the period resulting in a temporary shortage of supply in the products of the "Happy Dino" brand, which had been resolved in May 2013.

(2) Further strengthening of in-depth distribution management system. In the first half of 2013, the number of maternity and childcare specialty stores covered by the in-depth distribution management system increased from 11,984 as at 31 December 2012 to 13,592 as at 30 June 2013, and the number of maternity and childcare specialty stores covered by the Group's POS system increased from 2,074 as at 31 December 2012 to 5,789 as at 30 June 2013. The results of maternity and childcare specialty stores displayed through POS terminals recorded a month-on-month growth, reflecting the bonus point redemption system had effectively boosted sales.

(3) In-depth development of online distribution channels. As at 30 June 2013, the Group's online sales channels had extensive coverage over Tmall.com, JD.com, dangdang.com, amazon.com and other major e-commerce platforms, and owned approximately over 4,000 retail terminals on Taobao.com, of which there were 428 franchise stores and 400 consignment stores. The Group's online-exclusive products had been increasing in scale. Over 80 online-exclusive products were launched during the period, and were well-received by the market.

(4) Innovative mode of marketing. In the first half of 2013, the Group stepped up innovative efforts on the market front in the China market. During the period, the Group had commenced proactive logistics program (i.e. The Company, instead of customers, bore the cost of freight delivery, and reduced discount rate accordingly) in nine sales regions in China, commenced single product marketing on nationwide basis, and strongly developed retail-end marketing in the channels of maternity and childcare specialty stores channel, all these projects delivered good results, enabling the Group to be more proactive in marketing.

(5) The business of car seats and accessories continued to achieve rapid growth. In the first half of 2013, the Group continued to focus on the development of the car seats and accessories business. Revenue derived from car seats in the China market reached approximately HK$43.0 million, increased by approximately 175.6%, as compared to approximately HK$15.6 million for the same period of last year. In terms of market size, the car seats market in China was still in early stages of development and the car ownership volume in China was the second largest in the world, hence further penetration in the future and the Group's first-mover advantages will provide enormous business opportunities for the development of this product category.

2. **Challenges and opportunities co-exist in overseas markets.**

Affected by the sluggish economic situation in Europe and the United States and the decline in demand from major customers, the revenue of the Group derived from overseas markets was approximately HK$1,283.3 million in the first half of 2013, decreased by 18.7% as compared to approximately HK$1,578.9 million in the first half of 2012. However,

(1) revenue of public customers in the European market maintained satisfactory growth, its proportion in revenue from the European market increased from 22.8% to 33.2%, amounting to HK$148.5 million.

(2) the effects of proactive marketing continued to expand in other overseas markets, resulting in rapid growth in both revenue and gross profit. In the first half of 2013, the Group's revenue derived from other overseas markets increased by 22.1% as compared to the revenue in the first half of 2012, amounting to HK$335.4 million, and gross profit amounts derived from other overseas markets increased by approximately 118.9%.

(3) the Group's promotional efforts on self-owned brands in overseas markets also further achieved progress. In the first half of 2013, the Group's revenue from self-owned brands in overseas markets grew by 36.6% to HK$239.3 million. The growth achieved through capturing rapid market growth opportunities in emerging markets, such as Russia, Southeast Asia and South America, developing brands, establishing a quality marketing system and optimizing product end image.

(4) the Group's overseas market team achieved improvement in its functions by shifting the focus on pure R&D to emphasis on market research and marketing.

3. **Continuous leading position in new product development.**

In the first half of 2013, the Group had launched a total of 238 new products, 33 of which were brand new products and 205 were improved products. As at 30 June 2013, there were 497 new products under the stage of research and development, 192 of which were brand new products and 305 were improved products. In the first half of 2013, based on its original research and development strategies and ideas, the Group strengthened the research and development and applications of intelligent infant and children products and new materials to innovate and research and develop new products. Through combining the technical applications of infant and children intelligence development, safety technology, the research and development of ultra-light products and new fabrics, etc. The most representative example was the "Hummingbird" stroller, which has an automatic folding function, through the research and development of new materials and new technical process. The stroller weighs only 3.5kg making it the world's most lightweight stroller with wide popularity in the market. In the China market, the product sales volume reached 13,993 units in total only 3 months after its launch.

The "Super Umbrella Stroller" created in the first half of 2013 had successfully resolved the universal function of umbrella strollers, problems of changing direction and self-standing, establishing another benchmark of innovation in the infant stroller industry.

In March 2013, the Group won the Red Dot Design Award for the third time for the Gamma 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 the Group's R&D strengths continued to be highly recognized by international organizations.

4. **New progress achieved in inspection and testing capabilities and researches on standard systems.**

In the first half of 2013, the Group collaborated with the Automotive Manufacturers Equipment Compliance Agency, Inc. ("AMECA") of United States to provide one-stop services including testing, registration and certification for safety of car seats for sales to the United States; the Group also collaborated with Société Générale de Surveillance ("SGS") of Switzerland, TUV Nord Group of Germany and Motor Vehicle Inspection Center of Jiangsu Province, E1 (Germany), E4 (the Netherlands) and E9 (Spain) inspection reports on juvenile car seats were jointly issued and a test report was issued according to China's national standard GB27887. As a pioneer of the safety research on car seats in China, the Group was the first to commence side collision studies on the safety of car seats in the industry and successfully implemented the ECE129 side collision test. The Group has achieved a leading position in the global industry on the research on the standards for car seat safety.

As at 30 June 2013, the Group has led or participated in the compilation or revision of 61 PRC national standards in total, 6 of which were new standards in the first half of 2013; participated in the voting of 86 US standards in total, 8 of which were new standards in the first half of 2013; participated in the revision of 1 European standard in total; participated in the compilation of 2 Japanese national standards in total, 1 of which was new standard in the first half of 2013.

In addition, in terms of safe materials, the Group replaced common paint with water-based paint and successfully started bulk production of the water-based paint. Water-based paint uses water as a diluent, is non-toxic and odour-free, and causes no harm to human body nor pollution to the environment, and is 100% used to produce cribs.

The Group completed another accomplishment in the "Cradle to Cradle" ("C2C") carbon-free and recycling project research — safe recycling. In the first half of 2013, the Group had set up a stroller disassembling production line, which disassembled 120 strollers per day. Industrial wastes from the Group's production bases were 100% sorted and classified for recycled use and realizing added value.

In June 2013, Mr. Song Zhenghuan, Chairman and CEO of the Group was selected as the winner of the Walter L. Hurd Executive Medal of 2013 by the Walter L. Hurd Foundation and Asia Pacific Quality Organization. The medal was granted to a Chinese entrepreneur for the first time during the past two decades, representing a token of the industry's recognition of the quality standards of the Group and witnessing the commitment of the Group as the leader of the industry, and its endeavors in the production of safe, quality and durable juvenile products. Looking ahead, the Group will continue to design and manufacture quality products specifically for children, and consolidate its position as the leader and standard model in the industry.

5. **Further optimization in the procurement supply chain.**

In the first half of 2013, the Group continued to consolidate manufacturing resources in China, developed strategic outsourcing actively, the proportion of outsourced components reached 46%, proportion of outsourced finished products reached 20.3%. During the period, the Pingxiang outsourcing base in Hebei initially established in 2012 began bulk operation. The Group responded to rising costs effectively through strategic outsourcing, innovations in manufacturing processes and internal efficiency improvement plans.

In 2013, global economies are faced with tough challenges, the slow down of the Chinese economy, European debt problems and fluctuations of the U.S. economy, led to continuous uncertainties in the global economies in the second half of the year. On the other hand, China presents immense domestic demand potential, and the active marketing strategy of the Group in international markets will also bring significant development opportunities. In the face of these opportunities and challenges, we will implement the Group's established strategies and policies in different markets as follows:

(1) We will strengthen the brand strategy in the China market, continue to promote in-depth distribution management, through our innovative marketing mode and further implement the internet strategy.

(2) To cope with market changes in the international market proactively, we will continue to strengthen cooperation with key customers, actively promote the active marketing strategy and flexibly apply branding, customer, channel and product strategies to capture more market share. In addition, the self-owned brand strategy will be reinforced in Other Overseas Markets to enhance the market position of our self-owned brands.

(3) We will deepen the product diversification strategy and continue to expand the product lines, the business development of car seats and other durable juvenile products will be accelerated while consolidating and developing the stroller business.

(4) We will establish a competitive global supply chain system to consolidate our core capabilities in product innovation, quality improvement, technological reform and research on standards, to serve the global market and command a superior market position in the industry.

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 10.1% from approximately HK$2,311.1 million for the six months ended 30 June 2012 to approximately HK$2,077.0 million for the six months ended 30 June 2013.

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 by comparing 2013 with 2012
	2013		2012		
	Sales *(HK$ million)*	**% of Sales**	**Sales** *(HK$ million)*	**% of Sales**	**Growth**
European Market	446.7	21.5%	606.8	26.3%	-26.4%
North America	501.2	24.1%	697.5	30.2%	-28.1%
China	793.7	38.2%	732.2	31.7%	8.4%
Other Overseas Markets	335.4	16.2%	274.6	11.8%	22.1%
Total	2,077.0	100.0%	2,311.1	100.0%	-10.1%

Revenue from the European Market decreased by 26.4% to approximately HK$446.7 million for the six months ended 30 June 2013 from approximately HK$606.8 million for the six months ended 30 June 2012, which was mainly attributable to a decline in the demand of the Group's major customers. During the same period, revenue from public channels in the European Market maintained growth, with its percentage in revenue from the European Market increasing from 22.8% to 33.2%, amounting to HK$148.5 million.

Revenue from North America decreased by 28.1% to approximately HK$501.2 million for the six months ended 30 June 2013 from approximately HK$697.5 million for the six months ended 30 June 2012. The decrease was attributable to a decline in the demand of a major customer of the Group.

Revenue from China increased by 8.4% to approximately HK$793.7 million for the six months ended 30 June 2013 from approximately HK$732.2 million for the six months ended 30 June 2012. The growth of the Chinese market was mainly attributable to the growth of strollers and car seats, which was partially offset by a decline in ride-ons cars. The decline in ride-ons cars was mainly attributable to a temporary shortage of products under the "Happy Dino" brand due to the adjustment of supply chain procurement during the period. The problem was solved in May 2013.

Revenue from Other Overseas Markets increased by 22.1% to approximately HK$335.4 million for the six months ended 30 June 2013 from approximately HK$274.6 million for the six months ended 30 June 2012. The growth of Other Overseas Markets benefited from the growth of all product lines.

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 by comparing 2013 with 2012**
	2013		**2012**		**2012**
	Sales (HK$ million)	*% of Sales*	*Sales (HK$ million)*	*% of Sales*	*Growth*
Strollers and accessories	944.6	45.5%	1,081.6	46.8%	-12.7%
Car seats and accessories	264.4	12.7%	316.6	13.7%	-16.5%
Other durable juvenile products	868.0	41.8%	912.9	39.5%	-4.9%
Total	2,077.0	100.0%	2,311.1	100.0%	-10.1%

Revenue from strollers and accessories decreased by 12.7% to approximately HK$944.6 million for the six months ended 30 June 2013 from approximately HK$1,081.6 million for the six months ended 30 June 2012. The decrease was attributable to the decrease in revenue from the European and North America Markets, which was partially offset by the increase in revenue from the China Market and Other Overseas Markets.

Revenue from car seats and accessories decreased by 16.5% to approximately HK$264.4 million for the six months ended 30 June 2013 from approximately HK$316.6 million for the six months ended 30 June 2012. The decrease was mainly attributable to the decrease in revenue from the European and North America Markets, which was partially offset by the increase in revenue from the China Market and Other Overseas Markets.

Revenue from other durable juvenile products decreased by 4.9% to approximately HK$868.0 million for the six months ended 30 June 2013 from approximately HK$912.9 million for the six months ended 30 June 2012. The decrease was attributable to the decrease in revenue from the European and North America Markets, which was partially offset by the increase in revenue from Other Overseas Markets.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales decreased by 14.7% to approximately HK$1,596.6 million for the six months ended 30 June 2013 from approximately HK$1,870.8 million for the six months ended 30 June 2012. The decrease was primarily due to the decreased production driven by a lower demand for the products of the Group, resulting in a decrease in the consumption costs.

As a result of the foregoing, gross profit increased by 9.1% from approximately HK$440.3 million for the six months ended 30 June 2012 to approximately HK$480.4 million for the corresponding period in 2013. The growth of gross profit was mainly attributable to an increase in gross profit amount from the Chinese market and other overseas markets, which was partially offset by a decrease in gross profit amount from the European and North America markets. The gross profit margin increased from 19.1% for the six months ended 30 June 2012 to 23.1% for the corresponding period in 2013. The improvement in gross profit margin was mainly due to an improvement in gross profit margin for the Chinese market and a significant improvement in gross profit margin for other overseas markets as well as a sharp increase in the percentage of gross profit amount from the aforesaid two markets.

Other Income

Other income increased by HK$1.3 million to approximately HK$19.0 million for the six months ended 30 June 2013 from approximately HK$17.7 million for the six months ended 30 June 2012, which was mainly attributable to an increase in government subsidies.

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 35.6% to approximately HK$214.1 million for the six months ended 30 June 2013 from approximately HK$157.9 million for the six months ended 30 June 2012. The increase in selling and distribution costs was primarily due to an increase in transportation expenses (proactive logistics) and marketing expenses as a result of the adjustment of the marketing model in the Chinese market and an increase in staff expenses as a result of the promotion of the active marketing strategy in the international market.

Administrative Expenses

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

The administrative expenses increased from approximately HK$163.1 million for the six months ended 30 June 2012 to approximately HK$ 170.9 million for the six months ended 30 June 2013. The increase in administrative expenses was primarily attributable to an increase in office expenses.

Other Expenses

Other expenses decreased to approximately HK$ 6.9 million for the six months ended 30 June 2013 from approximately HK$10.3 million for the six months ended 30 June 2012. The decrease was mainly due to the fair value losses recorded in outstanding forward foreign exchange contracts as at 30 June 2012 of approximately HK$7.2 million, but the Company had no outstanding forward foreign exchange contracts as at 30 June 2013, the decrease was partially offset by the increase in exchange losses incurred in the first half of 2013.

Operating Profit

As a result of the foregoing, the operating profit decreased by 15.1% to approximately HK$107.5 million for the six months ended 30 June 2013 from approximately HK$126.6 million for the six months ended 30 June 2012.

Finance Income

The finance income increased from approximately HK$2.2 million for the six months ended 30 June 2012 to approximately HK$ 4.0 million for the six months ended 30 June 2013, and all finance income was interest income from bank deposits.

Finance Costs

The finance costs decreased from approximately HK$9.0 million for the six months ended 30 June 2012 to approximately HK$ 2.4 million for the six months ended 30 June 2013. The decrease was mainly attributable to the decrease in the usage of bank loans for the six months ended 30 June 2013 as compared to the same period of 2012, and the absence of RMB loans with higher interest rate.

Profit before Tax

As a result of the foregoing, the profit before tax of the Company (representing the total sum of gross profit, other income, administrative expenses, selling and distribution costs, other expenses, finance costs and finance income) decreased by 8.9% from approximately HK$119.8 million for the six months ended 30 June 2012 to approximately HK$ 109.1 million for the six months ended 30 June 2013.

Income Tax Expenses

The income tax expenses were approximately HK$11.3 million for the six months ended 30 June 2013, whereas income tax expenses were approximately HK$19.0 million for the six months ended 30 June 2012. The decrease in income tax expenses was mainly attributable to the reversal of the excessive tax withheld in prior years. The effective tax rate for the six months ended 30 June 2013 was 10.4%, and the effective tax rate was 15.9% for the six months ended 30 June 2012.

Profit for the Period

For the six months ended 30 June 2013, profit for the period was approximately HK$97.8 million, and profit for the six months ended 30 June 2012 was approximately HK$100.7 million.

Working Capital and Financial Resources

	As at 30 June 2013 *(HK$ million)*	**As at 31 December 2012** *(HK$ million)*
Trade and notes receivables (including trade receivables due from related parties)	870.0	892.7
Trade and notes payables	719.5	791.3
Inventories	716.3	624.9
Trade and notes receivables turnover days [(1)]	77	66
Trade and notes payables turnover days [(2)]	86	82
Inventories turnover days [(3)]	77	65

Notes:

(1) Trade and notes 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 balance of trade and notes receivables decreased by HK$22.7 million from approximately HK$892.7 million as at 31 December 2012 to approximately HK$870.0 million as at 30 June 2013. The decrease was mainly attributable to the decrease of sales of the Group.

The balance of trade and notes payables decreased by HK$71.8 million from approximately HK$791.3 million as at 31 December 2012 to approximately HK$719.5 million as at 30 June 2013. The decrease was mainly due to a decrease in the procurement volume.

The balance of inventories increased by HK$91.4 million from approximately HK$624.9 million as at 31 December 2012 to approximately HK$716.3 million as at 30 June 2013. The increase was mainly due to the necessary provision for inventories made by the Group for the peak period of sales.

Liquidity and Financial Resources

The Group has established a sound cash management system, including a dedicated cash management division for managing liquidity, 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 2013, the Group's cash and cash equivalents were approximately HK$938.8 million, of which HK$688.4 million were denominated in Renminbi, HK$222.6 million were denominated in U.S. dollars, HK$22.3 million were denominated in HK dollars and HK$5.5 million were denominated in other currencies. (As at 31 December 2012: approximately HK$633.0 million, of which HK$525.4 million were denominated in Renminbi, HK$100.2 million were denominated in U.S. dollars, HK$1.3 million were denominated in HK dollars and HK$6.1 million were denominated in other currencies.)

As at 30 June 2013, the Group's interest-bearing bank borrowings were approximately HK$434.4 million (as at 31 December 2012: approximately HK$220.8 million), all were denominated in U.S. dollars (as at 31 December 2012: all were denominated in U.S. dollars). Bank borrowings as at 30 June 2013 and those in corresponding period were charged at variable interest rate.

Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities (as at 31 December 2012: nil).

Exchange Rate Fluctuations

Our revenue was mainly denominated in U.S. dollars and Renminbi. Our cost of sales and operating expenses were mainly denominated in Renminbi. For the six months ended 30 June 2013, approximately 61.8% of our revenue was denominated in U.S. dollars. Our gross profit margin will be adversely affected if Renminbi appreciates against the U.S. dollar and we are unable to increase the U.S. dollar selling prices of the products we sold to the overseas customers. Renminbi appreciated by approximately 1.7% against the U.S. dollar during the six months ended 30 June 2013.

Pledge of Assets

As at 30 June 2013, some of the Group's interest bearing bank borrowings were secured by intra-group trade receivables of approximately HK$488.9 million (as at 31 December 2012: approximately HK$246.2 million), and such trade receivables were eliminated by offsetting in the consolidated financial statements of the Group.

Gearing Ratio

As at 30 June 2013, 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 was 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 23.0% (as at 31 December 2012: approximately 26.8%).

Employees and Remuneration Policy

As at 30 June 2013, the Group had a total number of 12,640 full-time employees (as at 30 June 2012, the Group had a total number of 13,896 full-time employees). For the six months ended 30 June 2013, costs of employees, excluding directors' emoluments, amounted to a total of HK$363.5 million (for the six months ended 30 June 2012, costs of employees, excluding directors' emoluments, amounted to a total of HK$338.2 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.

OTHER INFORMATION

Purchase, Sales or Redemption of Shares

During the six months ended 30 June 2013, 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 2013, 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 2013 (six months ended 30 June 2012: Nil).

Code on Corporate Governance

The Company has applied the principles of the Code Provisions under the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the six months ended 30 June 2013, 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.

However, due to other commitments, an independent non-executive Director, Mr. Long Yongtu did not attend the annual general meeting of the Company held on 24 May 2013.

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 (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 throughout the six months ended 30 June 2013.

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 2013.

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 2013 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, 23 August 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.