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 2013

Financial Highlights

- Revenue for the year ended 31 December 2013 was approximately HK$4,188.8 million, decreased by approximately 8.0% as compared with approximately HK$4,554.5 million for the corresponding period in year 2012;
- Gross profit for the year ended 31 December 2013 was approximately HK$960.6 million, increased by approximately 10.2% as compared with approximately HK$871.9 million for the corresponding period in year 2012, which translated to a gross profit margin of approximately 22.9% for the year ended 31 December 2013 as compared with approximately 19.1% for the corresponding period in the year 2012; and
- Profit for the year ended 31 December 2013 was approximately HK$171.1 million, decreased by approximately 6.5% as compared with approximately HK$183.1 million for the corresponding period in year 2012, which translated to a profit margin of approximately 4.1% for the year ended 31 December 2013 as compared with approximately 4.0% for the corresponding period in the year 2012.

Unit (HK$ million)	For the 12 months ended 31 December 2013	For the 12 months ended 31 December 2012	Growth rate
Revenue	4,188.8	4,554.5	-8.0%
Including:			
Revenue from the domestic market	1,357.5	1,303.1	4.2%
Revenue from overseas markets	2,831.3	3,251.4	-12.9%
Gross profit	960.6	871.9	10.2%
Operating profit	191.2	219.9	-13.1%
Profit for the year	171.1	183.1	-6.5%

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 2013, together with the comparative figures for the year ended 31 December 2012, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	**2013** *(HK$'000)*	**2012** *(HK$'000) Restated*
Revenue	4	4,188,794	4,554,462
Cost of sales		(3,228,205)	(3,682,571)
Gross profit		960,589	871,891
Other income and gains	4	48,593	54,030
Selling and distribution expenses		(446,969)	(359,350)
Administrative expenses		(359,971)	(343,270)
Other expenses		(11,056)	(3,381)
Finance costs	6	(6,826)	(11,897)
Finance income	5	10,590	7,910
Share of losses of a joint venture		(22)	(30)
PROFIT BEFORE TAX	7	194,928	215,903
Income tax expense	8	(23,799)	(32,780)
PROFIT FOR THE YEAR		171,129	183,123
Attributable to:			
Owners of the parent		171,213	181,207
Non-controlling interests		(84)	1,916
		171,129	183,123

	Notes	**2013**	**2012**
		(HK$'000)	*(HK$'000)*
			Restated
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	10		
Basic			
- For profit for the year (HK$)		0.17	0.18
Diluted			
- For profit for the year (HK$)		0.17	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 *(HK$'000)*	**2012** *(HK$'000)*
PROFIT FOR THE YEAR	171,129	183,123
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	38,334	1,806
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	38,334	1,806
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	38,334	1,806
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	209,463	184,929
Attributable to:		
Owners of the parent	208,618	183,009
Non-controlling interests	845	1,920
	209,463	184,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	31 December 2013 (HK$'000)	31 December 2012 (HK$'000) Restated	1 January 2012 (HK$'000) Restated
NON-CURRENT ASSETS				
Property, plant and equipment		707,909	675,954	640,087
Prepaid land lease payments		67,916	68,022	70,595
Intangible assets		34,970	35,352	38,082
Investment in a joint venture		961	983	1,013
Deferred tax assets		14,820	14,633	15,153
Total non-current assets		826,576	794,944	764,930
CURRENT ASSETS				
Inventories	11	797,983	624,856	676,767
Trade and notes receivables	12	738,025	758,728	642,427
Prepayments and other receivables		129,238	123,319	165,645
Due from a related party		235,717	133,487	119,529
Available-for-sale investments	13	127,830	123,335	-
Cash and cash equivalents		608,299	633,010	787,959
Derivative financial instruments		-	-	13,947
Total current assets		2,637,092	2,396,735	2,406,274

	Notes	31 December 2013 (HK$'000)	31 December 2012 (HK$'000) Restated	1 January 2012 (HK$'000) Restated
CURRENT LIABILITIES				
Trade and notes payables	14	714,365	791,268	857,302
Other payables, advances from customers and accruals		241,700	289,798	236,696
Interest-bearing bank borrowings	15	447,239	220,783	326,498
Income tax payable		5,164	7,400	9,649
Provision		8,541	11,722	12,938
Dividends payable		8	1	1
Total current liabilities		1,417,017	1,320,972	1,443,084
NET CURRENT ASSETS		1,220,075	1,075,763	963,190
TOTAL ASSETS LESS CURRENT LIABILITIES		2,046,651	1,870,707	1,728,120

	31 December 2013 (HK$'000)	31 December 2012 (HK$'000) Restated	1 January 2012 (HK$'000) Restated
TOTAL ASSETS LESS CURRENT LIABILITIES	2,046,651	1,870,707	1,728,120
NON-CURRENT LIABILITIES			
Deferred tax liabilities	19,159	18,578	20,672
Total non-current liabilities	19,159	18,578	20,672
Net assets	2,027,492	1,852,129	1,707,448
EQUITY			
Equity attributable to owners of the parent			
Issued capital	10,054	10,000	10,000
Reserves	1,931,782	1,762,363	1,619,602
Proposed final dividend	55,045	50,000	50,000
	1,996,881	1,822,363	1,679,602
Non-controlling interests	30,611	29,766	27,846
Total equity	2,027,492	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 were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 November 2010.

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

2.1 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 ("HK$") 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.

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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	Financial Instruments[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC-Int 21	*Levies*[1]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 July 2014

[3] No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in December 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

3. 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 costs of the overseas — strollers and accessories and overseas — other durable juvenile products segments.

Year ended 31 December 2013	**Overseas**			**Domestic**			**Consolidated**
		(HK$'000)			**(HK$'000)**		**(HK$'000)**
	Strollers and accessories	*Other durable juvenile products*	*Subtotal*	*Strollers and accessories*	*Other durable juvenile products*	*Subtotal*	
Segment revenue:							
Sales to external customers	1,260,047	1,571,209	2,831,256	608,051	749,487	1,357,538	4,188,794
Intersegment sales	324,121	248,101	572,222	-	-	-	572,222
			3,403,478			1,357,538	4,761,016
Reconciliation:							
Elimination of intersegment sales							(572,222)
Revenue							4,188,794
Cost of sales							(3,228,205)
Other income and gains							48,593
Operating costs							(806,940)
Other expenses							(11,056)
Finance income — net							3,764
Share of losses of a joint venture							(22)
Profit before tax							194,928

Year ended 31 December 2012	Overseas			Domestic			Consolidated
	(HK$'000)			(HK$'000)			(HK$'000)
	Strollers and accessories	*Other durable juvenile products*	*Subtotal*	*Strollers and accessories*	*Other durable juvenile products*	*Subtotal*	
Segment revenue:							
Sales to external customers	1,485,812	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							(702,620)
Other expenses							(3,381)
Finance costs — net							(3,987)
Share of losses of a joint venture							(30)
Profit before tax							215,903

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 2013					
Segment revenue:					
Sales to external customers	1,015,262	1,126,952	1,357,538	689,042	4,188,794
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

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:

	2013	2012
	(HK$'000)	*(HK$'000)*
Revenue	1,294,894	1,704,538

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.

4. REVENUE, OTHER INCOME AND GAINS

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

	Group	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
Revenue:		
Sales of goods	4,188,794	4,554,462
Other income and gains:		
Government grants (note (a))	27,540	29,770
Gain on sales of materials	12,422	13,666
Gain on wealth investment products (note (b))	4,079	3,076
Compensation income (note (c))	3,916	2,101
Service fee income (note (d))	480	2,431
Others	156	2,986
Total	48,593	54,030

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 on 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.

5. FINANCE INCOME

	Group	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
		Restated
Interest income on bank deposits	10,590	7,910

6. FINANCE COSTS

	Group	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
Interest expense on bank loans	6,826	11,897

7. PROFIT BEFORE TAX

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

	Group	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
		Restated
Cost of inventories recognised as expenses	3,442,170	3,902,763
Cost of services provided	2,534	3,728
Depreciation of items of property, plant and equipment	103,525	93,232
Amortisation of intangible assets	4,880	4,158
Amortisation of land lease payments	2,507	2,556
Research and development costs ("R&D")	115,029	116,090
Lease payments under operating leases in respect of properties	61,633	45,832
Auditors' remuneration	4,386	4,041
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	815,371	829,440
Pension scheme contributions	32,332	29,958
	847,703	859,398
Share option expense	4,671	9,752
Net foreign exchange losses	9,416	1,565
Impairment of accounts receivable	9	1
Write-down of inventories to net realizable value	3,287	41
Product warranties	5,217	16,827
Loss on disposal of items of property, plant and equipment	276	138
Bank interest income	(10,590)	(7,910)

8. 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 rates 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:

	Group 2013 (HK$'000)	Group 2012 (HK$'000)
Current income tax - PRC		
- Income tax for the year	10,374	23,955
- (Overprovision) /underprovision in prior years	(1,630)	54
	8,744	24,009
United States state and federal income taxes	1,450	1,512
Japan income tax	26	33
Netherlands income tax	98	84
Hong Kong profits tax	13,213	8,713
Deferred income tax	268	(1,571)
Income tax expense reported in the statement of comprehensive income	23,799	32,780

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:

	Group 2013 (HK$'000)	Group 2012 (HK$'000)
Profit before tax	194,928	215,903
Expected income tax on profit before tax, calculated at the applicable tax rate of 25%	48,732	53,976
Lower tax rate for specific provision	(15,788)	(14,456)
Tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	(9,972)	(8,744)
(Overprovision)/ underprovision in prior years	(1,630)	54
Non-taxable income	(34)	(19)
Non-deductible expenses	2,491	1,969
Income tax expense	23,799	32,780

9. DIVIDENDS

	2013 (HK$'000)	2012 (HK$'000)
Final dividend proposed subsequent to the reporting period — HK5 cents per ordinary share (2012: HK5 cents)	55,045	50,000
Net	55,045	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.

10. 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 1,003,652,000 in issue during the year (2012: 1,000,000,000).

The calculation of diluted earnings per share amounts is based on the profit for the year 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 year, 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 calculation of earnings per share is based on:

	2013 (HK$'000)	2012 (HK$'000)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	171,213	181,207

	2013	2012
	('000)	*('000)*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,003,652	1,000,000
Effect of dilution - weighted average number of ordinary shares:		
Share options	6,267	-
Total	1,009,919	1,000,000

11. INVENTORIES

	2013	2012
	(HK$'000)	*(HK$'000)*
Raw materials	230,317	219,782
Work in progress	122,082	106,550
Finished goods	445,584	298,524
	797,983	624,856

12. TRADE AND NOTES RECEIVABLES

	2013	2012
	(HK$'000)	*(HK$'000)*
Trade receivables	725,049	750,670
Notes receivable	13,451	8,510
	738,500	759,180
Impairment of the trade receivables	(475)	(452)
	738,025	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 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:

	Group	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
Within 3 months	700,473	730,377
3 to 6 months	19,416	17,355
6 months to 1 year	4,332	2,399
Over 1 year	353	87
	724,574	750,218

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

	Group	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
At beginning of year	452	488
Recognition of impairment for the year	9	1
Amounts written off	-	(37)
Translation adjustments	14	-
At end of year	475	452

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

	Group	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
Neither past due nor impaired	603,119	684,505
Less than 1 month past due	103,484	45,966
1 to 2 months past due	8,893	13,389
2 to 3 months past due	6,026	3,739
Over 3 months and within 1 year past due	3,052	2,619
At end of year	724,574	750,218

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.

13. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
Unlisted investments, at fair value	127,830	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 three month and coupon rates ranging from 4.60% to 5.20% per annum.

The welfare investment products all matured in January and March 2014 with principals and interests fully received.

14. TRADE AND NOTES PAYABLES

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

	Group	
	2013	**2012**
	(HK$'000)	*(HK$'000)*
Within 3 months	609,094	690,291
3 to 12 months	98,586	90,635
1 to 2 years	4,938	5,352
2 to 3 years	998	3,654
Over 3 years	749	1,336
	714,365	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.

15. INTEREST-BEARING BANK BORROWINGS

	2013			2012		
	Effective interest rate (%)	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*
Current						
Bank borrowings pledged by intra-group trade receivables	1.70-3.24	2014	447,239	0.81-1.32	2013	220,783
Total			447,239			220,783

All short term bank borrowings were obtained from third party financial institutions. As at 31 December 2013, a subsidiary had pledged trade receivables of approximately HK$479,772,000 (2012: HK$246,242,000) to secure certain of the Group's bank loans and these trade receivables had been eliminated at the group level.

	2013 *(HK$'000)*	**2012** *(HK$'000)*
Analysed into:		
Bank loans repayable:		
Within one year	447,239	220,783
	447,239	220,783

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 2013, Goodbaby International Holdings Limited recorded a total revenue of approximately HK$4,188.8 million, representing a decrease of approximately 8.0% as compared to the revenue of approximately HK$4,554.5 million in 2012. Operating gross profit was approximately HK$960.6 million, representing an increase of approximately 10.2% as compared to the operating gross profit of approximately HK$871.9 million in 2012. Profit for the year was approximately HK$171.1 million, representing a decrease of 6.5% as compared to the profit of approximately HK$183.1 million in 2012.

From a geographical perspective, the decrease in the Group's revenue was mainly attributable to a decrease in the revenue derived from European and North America markets. For the financial year ended 31 December 2013, the Group's revenue from these two markets decreased by 20.1% and 15.3%, respectively, as compared to the revenue in 2012. During the same period, the Group's revenue from the China market and Other Overseas markets increased by 4.2% and 6.0%, respectively, as compared to revenue derived in 2012. From a product category perspective. For the financial year ended 31 December 2013, the Group's revenue derived from strollers and accessories, car seats and accessories and other durable juvenile products decreased by 9.8%, 4.9% and 7.1%, respectively, as compared to the revenue 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 progress in China's market strategy**

   For the financial year ended 31 December 2013, the Group's revenue in the China market was HK$1,357.5 million, representing an increase of approximately 4.2% as compared to HK$1,303.1 million in 2012. In 2013, the strategy for China market achieved further progress.

   (1) Downward penetration into lower tier cities in terms of "grid management", and achieved initial penetration into rural markets. In 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 15,056 as at 31 December 2013. Meanwhile, the Group strengthened the depth of coverage to fully penetrate into nationwide counties and cities at prefecture and below levels and then further downward to towns and villages. As of 31 December 2013, among the 333 prefecture-level cities in China, the Group has covered 282 prefecture-level cities, representing a coverage rate of 85%. Among the 1,988 municipalities (including county-level cities, counties and autonomous counties) in China, the Group has covered 1,256 municipalities, representing a coverage rate of 63%. The number of towns covered by the Group was 1,882.

   (2) Realizing all-channel structure of e-commerce in scale. In 2013, the Group realized revenue from e-commerce channels of HK$267.8 million, representing 19.7% of the Group's total revenue from the China market for the year of 2013. In addition, towards the end of 2013, the Group realized the all-channel structure of e-commerce, covering the official Goodbaby online flagship store, Tmall retail outlet, and internet wholesale platforms (including JD.com and Dangdang.com) while dominating a key position in major categories of the e-commerce platform of Tmall retail outlets and JD.com; continuously optimizing of internet distribution system, and towards the end of 2013, the Internet distribution of the Group covered 761 retail terminals on Taobao.com, of which 483 were franchise stores and 278 were consignment stores. The Group's online-exclusive products had been increasing in scale. Over 320 online-exclusive

products were launched during the year, and were well-received by the market. During Taobao's "November 11" online shopping campaign, daily sales of the Group's products amounted HK$51.1 million, securing the top position amongst its peers.

(3) Achieving rapid growth in car seat business continuously. In 2013, the Group continued to focus on the development of the car seat business. Revenue derived from car seats in the China market reached approximately HK$84.9 million, representing growth of approximately 101.6%, as compared to approximately HK$42.1 million in 2012. By the end of 2013, the revision to the *Regulations of Shanghai Municipality on the Protection of Minors* (《上海市未成年人保護條例》) was approved, requiring the proper use of car seats for children below the age of four in a private car. We anticipate that such requirement will be implemented nationwide, boosting the growth of the car seat market.

2. **Strategic upgrade for overseas markets business model**

The revenue of the Group derived from overseas markets was approximately HK$2,831.3 million in 2013, decreased by 12.9% as compared to approximately HK$3,251.4 million in 2012. The extent of revenue decrease from overseas markets narrowed rapidly from the decrease of 18.7% in the first half of the year to 7.4% in the second half of the year, while the Group's overseas market business model underwent an initial stage of strategic upgrade as it pursued a two-pronged direct sales and blue-chip strategy.

After implementing direct sales (i.e. direct sales to retailers) in the European market in the second half of 2012, the Group also commenced strategic cooperation with major retailers in the North American market, initiated direct sales and its own-brand business, and began to deliver its products starting from the fourth quarter of 2013. During the year, the revenue from direct sales to customers in the European and North American markets reached HK$112.5 million, and its proportion in revenue from the European market was approximately 5.3%.

In 2013, the Group achieved remarkable results in developing new blue-chip customers while further strengthening its cooperation with existing ones, and realized bulk shipment in the second half of the year gradually. This effectively moderated the downward trend in revenue of the European and the American markets. In the second half of 2013, benefitting from the increase in blue-chip customers and launching more new products by existing customers, the percentage of decrease in revenue of the North American market and the European market of the Group narrowed from 28.1% and 26.4% in the first half of the year to 1.1% and 14.4% in the second half of the year, respectively.

In January 2014, the Group successfully completed the acquisition of Columbus Holding GmbH, strengthening the proactive marketing capability in overseas markets of the Group. A market-oriented, customer-oriented and strategy-oriented business management team is growing rapidly.

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

In 2013, although the Group experienced unprecedented market difficulties, new products development brought significant value under the adverse circumstance. In 2013, the Group's sales revenue derived from new products in overseas markets represented over half of its sales revenue from overseas markets, accounting for 51.4%.

For the financial year ended 31 December 2013, the Group had launched a total of 663 new products, 90 of which were brand new products and 573 were improved products. As at 31 December 2013, there were 473 new products under the stage of research and development, 195 of which were brand new products and 278 were improved products. In 2013, the Group focused on its research and development of new materials and developed gas-assisted strollers and carbon fibre strollers, strengthened intelligent infant and children products and launched intelligent bouncers, and catered to the needs of users by developing high view strollers and pioneered the most compact foldable stroller. The most representative example amongst the products launched was the "Hummingbird" stroller, which features an automatic folding function. Through the research and development of new materials and new technical process, the stroller weighs only 3.5kg while a typical stroller weighs above 6.5kg, making it the world's most lightweight stroller with wide popularity in the market. Since its launch in the second quarter of 2013, its total sales volume reached 29,848 units in the PRC market and 34,333 units in Japan and the Southeast Asia market.

The "Super Umbrella Stroller" created in 2013 resolved the universal function problems of direction changing and free-standing, establishing another benchmark of innovation in the infant stroller industry.

The own-brand strollers Beaula, EPOC and car seat Origin developed by the Group in 2013 all won the "Red Dot Design Award". This is the fourth time the products developed by the Group achieved such award, and the German brand CYBEX acquired by the Group was awarded "Red Dot Design Award" in the same year with its Aton-Q car seat and Solution Q-fix car seat products. The fact that the Group's wins at the "Red Dot Design Award" were concentrated in the car seat category signified the Group's advanced technologies in car seats, as it strives to become the advocate of the industry's highest standards. Prior to winning such award, EPOC was also awarded the iF Product Design Award from the International Forum Design Hannover, which shows that the Group's research and development capabilities continued to be highly recognized by the international industrial design industry.

4. **Achieving new progress in inspection and testing capabilities and researches on standard systems.**

In 2013, the Group participated in the development or revision of 6 PRC national standards, and the voting for 27 U.S. standards. Towards the end of 2013, the Group has participated in the development or revision of a total of 61 PRC national standards, 105 U.S. standards, one Europe standard and one Japan standard.

In 2013, the Group collaborated with Automotive Manufacturers Equipment Compliance Agency, Inc ("AMECA") of United States, and provided one-stop services including testing, registration and authentication for the car seats sold to the United States. Since the collaboration with Société Générale de Surveillance ("SGS") in Switzerland, TUV Nord Group in Germany and Motor Vehicle Inspection Centre of Jiangsu Province officially commenced, inspection reports on children car seats, E1 (Germany), E4 (Netherlands) and E9 (Spain) have been jointly published and a test report was issued in accordance with PRC national standard GB27887.

China lacks industry standards for children's e-cars. As such, the Company actively made suggestions to and participated in drafting of standards for the national "General Technical Requirements for Electrically Driven Ride-on Vehicles for Children". Meanwhile, as a member unit of CPSC, the Group influenced the direction of revisions for U.S. stroller standards, to support the standards compliance of the Company's new products in target markets.

In 2013, the Group achieved substantial progress in terms of eco-friendly materials. The Group pioneered sourcing the use of water-based paint in place of common paint in the industry and successfully started bulk production of the water-based paint. Water-based paint which consists of water diluent, is non-toxic and odour-free, and does not cause any harm to human body nor pollute the environment, and is currently 100% used to produce cribs.

The Group has spent over 3 years studying the application of the "Cradle to Cradle" ("C2C") concept. In 2013, the Group completed another accomplishment in carbonfree and recycling project research — safe recycling by setting up a stroller disassembling production line, with the capability of disassembling 120 strollers per day. Meanwhile, industrial waste from the Group's production bases were 100% sorted and classified for recycled use, realizing added value.

In June 2013, Mr. Song Zhenghuan, Chairman and CEO of the Group was awarded 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 in 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 industry leader, 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 2013, the Group continued to consolidate manufacturing resources in China, and actively developed strategic outsourcing. The proportion of outsourced components reached 46.3%, and proportion of outsourced finished products reached 24.7%. In 2013, the supply chain base in Pingxiang Hebei established in 2012 began bulk operation. Its production value increased from approximately HK$173.3 million in 2012 to HK$377.2 million in 2013, representing a growth rate of 177.7%. The combined cost savings of the supply chain base benefits the Group in terms of labor and raw materials, etc. The Group coped with rising costs effectively through strategic outsourcing, innovations in manufacturing processes and internal efficiency improvement plans.

Looking into 2014, the Chinese economy will enter into a period of moderate growth following a period of high growth. While total retail sales for consumption goods will continue to maintain steady growth, the traditional retail consumption market will face more intensive competition from the e-commerce sector. As the largest consumer market for durable juvenile products, the European and North American markets were still clouded with uncertainties although they showed recovery momentum. As a leading enterprise in the global durable juvenile product industry, we will emphasize efficiency and depth of strategy execution in 2014:

(1) Realizing business model upgrade for national and international markets.

   In the China market, the Group will make great efforts to promote the transition from channel-driven push marketing to end-user-driven pull marketing, and build an eco, sustainable and fast-growing business platform. In the overseas markets, we will continue to strengthen the partnership with the existing brand customers, develop the operations ("Blue-chip customers") of turnkey product manufacturing while facilitating the development of direct sales operations, with an aim to achieve progress and synergistic development in both Blue-chip and direct sales operations.

(2) Completion of overall market structure.

In the China market, we will refine the end-user channel and structure, and implement downstream penetration and grid management through strengthening our advantageous position in department stores and shopping malls, enhancing our hypermarkets and maternity and childcare specialty chain stores, driving the downstream development of distributor channels and expanding our end-user channels. We will enhance the strategic cooperation with our e-commerce platforms, and further develop and optimize online distributors, online franchise stores and online-exclusive products. In addition, we will commence online branding marketing and develop the "online to offline" (O2O) interactive sales model. In the overseas markets, we will establish and develop localized marketing service platforms, step up 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.

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 8.0% from approximately HK$4,554.5 million for the year ended 31 December 2012 to approximately HK$4,188.8 million for the year ended 31 December 2013.

Revenue by Geographical Region

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

	As of 31 December				Growth analysis by comparing 2013 with 2012
	2013		2012		2012
	Sales (HK$ million)	*% of Sales*	*Sales (HK$ million)*	*% of Sales*	*Growth*
European Market	1,015.3	24.2%	1,271.0	27.9%	-20.1%
North America	1,127.0	26.9%	1,330.1	29.2%	-15.3%
China	1,357.5	32.4%	1,303.1	28.6%	4.2%
Other Overseas Markets	689.0	16.5%	650.3	14.3%	6.0%
Total	4,188.8	100.0%	4,554.5	100.0%	-8.0%

Revenue from the European Market decreased by 20.1% to approximately HK$1,015.3 million for the year ended 31 December 2013 from approximately HK$1,271.0 million for the year ended 31 December 2012, which was mainly attributable to a decline in the demand of the Group's major customers, with partial improvement as a result of the business development of other customers.

Revenue from North America decreased by 15.3% to approximately HK$ 1,127.0million for the year ended 31 December 2013 from approximately HK$ 1,330.1 million for the year ended 31 December 2012. Such decrease was mainly attributable to the reduced demand from one of the Group's key customers.

Revenue from China increased by 4.2% to approximately HK$ 1,357.5 million for the year ended 31 December 2013 from approximately HK$1,303.1 million for the year ended 31 December 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.

Revenue from Other Overseas Markets increased by 6.0% to approximately HK$689.0 million for the year ended 31 December 2013 from approximately HK$650.3 million for the year ended 31 December 2012. Such increase was attributable to the increase in revenue from car seats and accessories as well as other durable juvenile products, which was partly offset by a decline in strollers.

Revenue by Products

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

	For the year ended 31 December				Growth analysis 2013 vs 2012
	2013		**2012**		**2012**
	Sales (HK$ million)	*% of sales*	*Sales (HK$ million)*	*% of sales*	*Growth*
Strollers and accessories	1,868.1	44.6%	2,070.6	45.4%	-9.8%
Car seats and accessories	587.6	14.0%	618.0	13.6%	-4.9%
Other durable juvenile products	1,733.1	41.4%	1,865.9	41.0%	-7.1%
Total	4,188.8	100.0%	4,554.5	100%	-8.0%

Revenue from strollers and accessories decreased by 9.8% to approximately HK$1,868.1 million for the year ended 31 December 2013 from approximately HK$2,070.6 million for the year ended 31 December 2012. Such decrease was mainly attributable to decreased revenue from the European, North America and Other Overseas Markets, which was partially offset by increased revenue from China Market.

Revenue from car seats and accessories decreased by 4.9% to approximately HK$587.6 million for the year ended 31 December 2013 from approximately HK$618.0 million for the year ended 31 December 2012. Such 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 7.1% to approximately HK$1,733.1 million for the year ended 31 December 2013 from approximately HK$1,865.9 million for the year ended 31 December 2012. Such decrease was mainly attributable to the decrease in revenue from the European, North America and China Markets, which was partially offset by the increase in revenue from Other Overseas Markets.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by12.3% from approximately HK$3,682.6 million for the year ended 31 December 2012 to approximately HK$3,228.2 million for the year ended 31 December 2013. Such decrease was primarily due to the decreased production driven by a lower demand for the products of the Group and better cost efficiency, resulting in a decrease in the costs incurred.

As a result of the foregoing, gross profit increased by 10.2% from approximately HK$871.9 million for the year ended 31 December 2012 to approximately HK$960.6 million for the year ended 31 December 2013. Gross profit margin increased from approximately 19.1% for the year ended 31 December 2012 to approximately 22.9% for the year ended 31 December 2013.

Other Income

Other income decreased by HK$5.4 million to approximately HK$48.6 million for the year ended 31 December 2013 from approximately HK$54.0 million for the year ended 31 December 2012, which was mainly attributable to an decrease in revenues , such as government subsidies, service fees and material sales etc.

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 24.4% to approximately HK$447.0 million for the year ended 31 December 2013 from approximately HK$359.4 million for the year ended 31 December 2012. The increase in selling and distribution costs was primarily due to an increase in transportation expenses ((i.e. The Company, instead of customers, bore the cost of freight delivery, and reduced discount rate accordingly) proactive logistics) and marketing expenses as a result of the adjustment of the marketing model in the PRC market and an increase in transportation expenses and staff expenses as a result of the execution of the proactive 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 by 4.9% from approximately HK$343.3 million for the year ended 31 December 2012 to approximately HK$360.0 million for the year ended 31 December 2013. The increase in administrative expenses was primarily attributable to an increase in office expenses and salaries expenses.

Other Expenses

Other expenses increased to approximately HK$11.1 million for the year ended 31 December 2013 from approximately HK$3.4 million for the year ended 31 December 2012. The increase was mainly due to an increase in exchange losses as a result of appreciation in RMB during the period.

Operating Profit

As a result of the foregoing, the operating profit decreased by 13.1% to approximately HK$191.2 million for the year ended 31 December 2013 from approximately HK$219.9 million for the year ended 31 December 2012.

Finance Income

The finance income increased from approximately HK$7.9 million for the year ended 31 December 2012 to approximately HK$ 10.6 million for the year ended 31 December 2013, and all finance income was interest income from bank deposits.

Finance Costs

The finance costs decreased from approximately HK$11.9 million for the year ended 31 December 2012 to approximately HK$ 6.8 million for the year ended 31 December 2013. The decrease was mainly attributable to usage of U.S. dollar loans with lower interest rate all through the year of 2013.

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 9.7% from approximately HK$215.9 million for the year ended 31 December 2012 to approximately HK$ 194.9 million for the year ended 31 December 2013.

Income Tax Expenses

The income tax expenses were approximately HK$23.8 million for the year ended 31 December 2013, whereas income tax were approximately HK$32.8 million for the year ended 31 December 2012. The effective tax rate for the year ended 31 December 2013 was 12.2%, and the effective tax rate was 15.2% for the year ended 31 December 2012.

Profit for the Period

Profit for the Period decreased by 6.5% from approximately HK$183.1 million for the year ended 31 December 2012 to approximately HK$171.1 million for the year ended 31 December 2013.

Working Capital and Financial Resources

	As at 31 December 2013 *(HK$ million)*	**As at 31 December 2012** *(HK$ million)*
Trade and notes receivables (including trade receivables due from related parties)	974.2	892.7
Trade and notes payables	714.4	791.3
Inventories	798.0	624.9
Trade and notes receivables turnover days(1)	81	66
Trade and notes payables turnover days(2)	85	82
Inventories turnover days(3)	80	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 note receivables increased by HK$81.5 million from approximately HK$892.7 million as at 31 December 2012 to approximately HK$974.2 million as at 31 December 2013. The increase was mainly attributable to extensions of the payment terms of major distributors in order to further support the expansion of distribution channels of the major distributors in the China market. That will benefit the revenue growth and future development of the Company.

The balance of trade and notes payables decreased by HK$76.9 million from approximately HK$791.3 million as at 31 December 2012 to approximately HK$714.4 million as at 31 December 2013. The decrease was mainly due to a decrease in the procurement volume.

The balance of inventories increased by HK$173.1 million from approximately HK$624.9 million as at 31 December 2012 to approximately HK$798.0 million as at 31 December 2013. The increase was mainly attributable to the early provision for products 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 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 2013, the Group's cash and cash equivalents were approximately HK$608.3 million, of which: HK$469.3 million were denominated in Renminbi, HK$123.9 million were denominated in U.S. dollars, HK$12.2 million were denominated in HK dollars and HK$2.9 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 31 December 2013, the Group's interest-bearing bank borrowings were approximately HK$447.2 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 31 December 2013 and those in corresponding period were charged at variable interest rate.

Contingent Liabilities

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

Exchange Rate Fluctuations

The Group's revenue is mainly denominated in U.S. dollars and Renminbi. The cost of sales and operating expenses are mainly denominated in Renminbi. For the year ended 31 December 2013, approximately 67.6% 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 and the Group is unable to increase the U.S. dollar selling prices of the products sold to the overseas customers. Renminbi appreciated by approximately 3.1% against the U.S. dollar during the year ended 31 December 2013.

Pledge of Assets

As of 31 December 2013, some of the Group's interest bearing bank borrowings were secured by intragroup trade receivables of approximately HK$479.8 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 of 31 December 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 28.5% (as at 31 December 2012: approximately 26.8%).

Employees and Remuneration Policy

As of 31 December 2013, the Group had a total number of 11,567 full-time employees (as at 31 December 2012, the Group had a total number of 13,207 full-time employees). For the year ended 31 December 2013, costs of employees, excluding directors' emoluments, amounted to a total of HK$834.7 million (for the year ended 31 December 2012, costs of employees, excluding directors' emoluments, amounted to a total of HK$847.2 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.

The Company had adopted a share option scheme (the "**Share Option Scheme**") on 5 November 2010. During the year of 2013, no share option was granted. Up to 31 December 2013, 1,232,000 share options had lapsed and 5,409,000 share options had been exercised. As at 31 December 2013, the outstanding share options were 22,555,000.

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. Reference is made to the updates on the use of proceeds in the Company's 2010, 2011 and 2012 annual reports, and 2013 interim report. As at 31 December 2013, the Company has used approximately HK$827.5 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 2013:

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	261.7	6.6
Research and development and commercialization of products, including new children's car safety seat products and other new products	20%	178.8	118.6	60.2
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	827.5	66.8

The balance of the unutilized proceeds of approximately HK$66.8 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

Event after the Reporting Period

On 27 January 2014, Goodbaby (Hong Kong) Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with (1) Mr. Martin Pos, (2) Mr. Matthias Steinacker, (3) Mr. Stefan Hüber, (4) Mr. Mankil Cho, (5) Dritte AFM Beteiligungs GmbH, and (6) Vierte AFM Beteiligungs GmbH (collectively, the "**Sellers**"), pursuant to which the Purchaser has agreed to acquire the entire issued share capital of Columbus Holding GmbH, a company established in Germany, from the Sellers at a consideration of EUR70,711,539 (equivalent to approximately HK$751,069,681), to be settled in cash as to the amount of EUR38,513,000 (equivalent to approximately HK$409,069,681) and by the issue of 100,000,000 new shares of the Company to the Sellers as to the amount of EUR32,198,539 (equivalent to approximately HK$342,000,000). On 28 January 2014, the aforementioned sale and purchase was completed. Please refer to the Company's announcement dated 28 January 2014 for more details.

Final Dividend

At the Board meeting held on 18 March 2014, it was proposed that a final dividend of HK$0.05 per ordinary share, representing a total distribution of HK$55.045 million be paid on 6 June 2014 to the shareholders of the Company whose names appear on the Company's register of members on 3 June 2014. The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 23 May 2014.

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 23 May 2014 (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.

Closure of Register of Members

For the purposes of ascertaining the members' eligibility to attend and vote at the annual general meeting and determining the members' entitlement to the proposed final dividend for the year ended 31 December 2013, the Company's register of members will be closed during the following periods respectively:

(A) **For ascertaining eligibility to attend and vote at the annual general meeting:**

• Latest time to lodge transfers documents for registration	4:30 pm on 20 May 2014 (Tuesday)
• Closure of register of members	21 May 2014 (Wednesday) to 23 May 2014 (Friday) (both days inclusive)

(B) **For ascertaining entitlement to the proposed final dividend:**

• Latest time to lodge transfers documents for registration	4:30 pm on 28 May 2014 (Wednesday)
• Closure of register of members	29 May 2014 (Thursday) to 3 June 2014 (Tuesday) (both days inclusive)
• Record date	3 June 2014 (Tuesday)

To be eligible to attend and vote at the annual general meeting, and to qualify for the proposed final dividend, all duly stamped instruments of transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the respective latest time as stated above.

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 2013, the Company has complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the CG Code, save for the deviations from code provision A.2.1, which is 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.

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 2013.

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 2013.

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 2013.

Audit Committee

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") consists of Mr. Iain Ferguson Bruce, Mr. Shi Xiaoguang and Ms. Chiang Yu, who was appointed by the Board on 18 March 2014 replacing Mr. Long Yongtu, the majority of whom are the independent non-executive Directors. The chairman of the Audit Committee is Mr. Iain Ferguson Bruce. The annual results of the Company for the year ended 31 December 2013 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 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, 18 March 2014

As at the date of this announcement, the executive Directors are Mr. Song Zhenghuan, Mr. Wang Haiye, Mr. Michael Nan Qu and Mr. Martin Pos; 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 and Mr. Shi Xiaoguang.