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Goodbaby International Holdings Limited

好孩子國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1086)

RENEWAL OF CONTINUING CONNECTED TRANSACTION

Reference is made to the prospectus of the Company dated 11 November 2010, the announcement of the Company dated 16 November 2011 and the circular of the Company dated 22 November 2011 in respect of the supply of Products from GCPC to GCCL from 24 November 2010 and ending on 31 December 2012.

As the GCCL Supply Agreement will expire on 31 December 2012, GCPC entered into the Renewed GCCL Supply Agreement with GCCL on 29 October 2012, pursuant to which GCPC will supply Products to GCCL for a further period of three years commencing on 1 January 2013 to 31 December 2015 subject to the New Annual Caps.

GCCL is an indirect wholly owned subsidiary of G-Baby Holdings Limited, which in turn is held as to approximately 63.9% by companies ultimately controlled by the Chairman and his spouse, including PUD, a substantial shareholder of the Company. Accordingly, GCCL is an associate of the Chairman under the Listing Rules and thus it is regarded as a connected person of the Company under the Listing Rules.

Given that the applicable percentage ratios (except the profit ratio) under Chapter 14 of the Listing Rules in respect of each of the New Annual Caps under the Renewed GCCL Supply Agreement are expected to exceed 5%, the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps). An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps). PUD and its associates shall abstain from voting on the proposed resolution approving the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) at the EGM.

A circular containing, among other things, information on the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps), the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps), a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) and the notice for the EGM to approve the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) is expected to be despatched to the Shareholders on or before 19 November 2012.

BACKGROUND

Reference is made to the prospectus of the Company dated 11 November 2010, the announcement of the Company dated 16 November 2011 and the circular of the Company dated 22 November 2011 in respect of the supply of Products from GCPC to GCCL from 24 November 2010 and ending on 31 December 2012.

On 8 November 2010, GCPC entered into a supply agreement (as amended by a supplemental agreement dated 16 November 2011, together, “the GCCL Supply Agreement”) with GCCL for a period commencing from 24 November 2010 and ending on 31 December 2012, pursuant to which GCPC agreed to supply the Products to GCCL for domestic sales.

As the GCCL Supply Agreement will expire on 31 December 2012, GCPC entered into the Renewed GCCL Supply Agreement with GCCL on 29 October 2012, pursuant to which GCPC will supply Products to GCCL for a further period of three years commencing on 1 January 2013 to 31 December 2015 subject to the New Annual Caps. This allows the Group to continue the use of GCCL’s retail channels for the Products. The availability of such sales channels enables the Group to extend the reach of the Products as GCCL has a wide retail network in the PRC.

ANNUAL CAPS

For each of the two years ended 31 December 2011 and for the nine months ended 30 September 2012, the amount of Products purchased by GCCL from GCPC were approximately HK\$267,525,000, HK\$374,384,000 and HK\$331,868,000, respectively.

The annual caps under the GCCL Supply Agreement for each of the three years ending 31 December 2012 amounted to approximately HK\$288,800,000, RMB310,643,000 (or approximately HK\$381,860,000) and RMB406,943,000 (or approximately HK\$500,237,000), respectively.

The proposed New Annual Caps under the Renewed GCCL Supply Agreement for each of the three years ending 31 December 2015 is RMB630,762,000 (or approximately HK\$775,845,000), RMB977,680,000 (or approximately HK\$1,202,558,000) and RMB1,466,521,000 (or approximately HK\$1,803,839,000), respectively.

Save for the New Annual Caps, the extension of the supply of Products till 31 December 2015 and the below-mentioned payment terms, the other terms of the GCCL Supply Agreement remain unchanged: (i) the transaction amount for the Products being payable by GCCL to GCPC not later than 90 days from the date of invoice under the GCCL Supply Agreement has been amended by the Renewed GCCL Supply Agreement to not later than 120 days, and (ii) GCCL agreed to provide GCPC with a bank guarantee to guarantee the payment of any outstanding amount payable by GCCL to GCPC at any time during the term of the Renewed GCCL Supply Agreement. As GCCL is a major distributor of the Group and the revenue from sales of Products to GCCL accounted for approximately 32.3% of the Group's revenue arising from the PRC market for the six months ended 30 June 2012, the aforesaid extension of payment term under the Renewed GCCL Supply Agreement will support the growth and expansion of GCCL, which in turn will benefit the Group's revenue growth and future development.

BASIS FOR THE NEW ANNUAL CAPS

The New Annual Caps were determined based on the expected increase in demand for the Products by GCCL driven by the projected expansion of GCCL's distribution network and coverage in the PRC for the three years ending 31 December 2015 and the expected rapid development of its internet shopping sales channel which was launched in 2011. The business plan of GCCL for the three years ending 31 December 2015 includes: (i) to establish department stores sales channel in third-tier cities, such as Changshu, Jiangsu province, Guangshui, Hubei province and Lanxi, Zhejiang province to extend the sale of Products by GCCL to those cities; (ii) to further

establish strategic cooperation relationship with new nation-wide distributors; and (iii) to grow and further establish its internet shopping sales channel to promote cross-sale to existing customers and attract new customers where traditional sales channel may not cover.

The Directors (excluding the independent non-executive Directors who will express their views after having considered the advice of the independent financial adviser) consider that the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Shareholders as a whole. The view of the independent non-executive Directors, after considering the advice from the independent financial adviser, will be set out in the circular.

INFORMATION ON THE GROUP, GCPC AND GCCL

The Group is principally engaged in the design, research and development, manufacture, marketing and sale of strollers, children's car seats, cribs, bicycles and tricycles, and other durable juvenile products.

GCPC is principally engaged in the manufacture and sale of the Products.

GCCL is principally engaged in the retail and distribution of juvenile products including both durable and non-durable juvenile products and household appliances.

LISTING RULES IMPLICATIONS

GCCL is an indirect wholly owned subsidiary of G-Baby Holdings Limited, which in turn is held as to approximately 63.9% by companies ultimately controlled by the Chairman and his spouse, including PUD, a substantial shareholder of the Company. Accordingly, GCCL is an associate of the Chairman under the Listing Rules and thus it is regarded as a connected person of the Company under the Listing Rules.

Given that the applicable percentage ratios (except the profit ratio) under Chapter 14 of the Listing Rules in respect of each of the New Annual Caps under the Renewed GCCL Supply Agreement are expected to exceed 5%, the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps). An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Renewed GCCL

Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps). PUD and its associates shall abstain from voting on the proposed resolution approving the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) at the EGM.

A circular containing, among other things, information on the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps), the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps), a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) and the notice for the EGM to approve the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) is expected to be despatched to the Shareholders on or before 19 November 2012.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“Board”	the board of Directors;
“Chairman”	Mr. Song Zhenghuan, the Company’s chairman, chief executive officer and executive Director;
“Company”	Goodbaby International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting to be convened to approve the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps);
“GCCL”	好孩子(中國)商貿有限公司 (Goodbaby China Commercial Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC;

“GCCL Supply Agreement”	the supply agreement entered into between GCPC and GCCL dated 8 November 2010 and amended by a supplemental agreement dated 16 November 2011 pursuant to which GCPC agreed to supply the Products to GCCL for domestic sales;
“GCPC”	好孩子兒童用品有限公司(Goodbaby Child Products Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors to be appointed by the Board to advise the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps);
“Independent Shareholders”	independent shareholders of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Annual Caps”	the proposed new annual caps under the Renewed GCCL Supply Agreement of RMB630,762,000 (or approximately HK\$775,845,000), RMB977,680,000 (or approximately HK\$1,202,558,000) and RMB1,466,521,000 (or approximately HK\$1,803,839,000) for each of the three years ending 31 December 2015, respectively;
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macao Special Administrative Region for the purpose of this announcement;
“Products”	strollers, children’s car seats, cribs, children’s bicycles and other durable juvenile products;

“PUD”	Pacific United Developments Limited, a private limited company incorporated in the British Virgin Islands holding 25.9% interests in the Company;
“Renewed GCCL Supply Agreement”	the agreement entered into between GCPC and GCCL dated 29 October 2012 pursuant to which, inter alia, GCPC will supply the Products to GCCL for a period of three years commencing on 1 January 2013 to 31 December 2015;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	ordinary shares of nominal value HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

* *For identification purpose only*

For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.000000 to HK\$1.2300123. This conversion is provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB or HK\$ can be converted at the above rate or any other rates or at all.

By order of the Board
Goodbaby International Holdings Limited
SONG Zhenghuan
Chairman

Hong Kong, 29 October 2012

As at the date of this announcement, the executive Directors are Mr. SONG Zhenghuan and Mr. WANG Haiye; the non-executive Directors are Mr. Christopher Marcus GRADEL and Ms. CHIANG Yun; the independent non-executive Directors are Mr. Iain Ferguson BRUCE, Mr. LONG Yongtu and Mr. SHI Xiaoguang.