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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Goodbaby International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Goodbaby

International

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)

NEW CONTINUING CONNECTED TRANSACTION AND NOTICE OF EGM

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A notice convening the EGM of Goodbaby International Holdings Limited to be held at 35/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 20 November 2015 at 10:00 am is set out on pages 39 to 40 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.gbinternational.com.hk).

A letter from the Board is set out on pages 6 to 16 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from GF Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 33 of this circular.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

The translation into Chinese language of this circular is for reference only. In case of any inconsistency, the English version shall prevail.

5 November 2015

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2010 Kunshan Lease Agreement”	lease agreement dated 8 November 2010 and supplemented by supplemental agreements dated 20 December 2011 and 29 October 2012 entered into between GCPC and GGCL in relation to the lease of Property VI from GGCL to GCPC;
“2013 GCCL Supply Agreement”	the supply agreement entered into between GCPC and GCCL dated 8 November 2010, and as amended by a supplemental agreement dated 16 November 2011 and renewed by a renewal agreement dated 29 October 2012 pursuant to which GCPC agreed to supply the Products to GCCL for domestic sales;
“2015 Gift Supply Agreement”	the supplemental supply agreement dated 7 October 2015 entered into between GCPC and GCCL in relation to the supply of Gift Products by GCCL to GCPC;
“2015 Kunshan Lease Agreement”	the supplemental lease agreement dated 7 October 2015 entered into between GCPC and GGCL in relation to the lease of Property VI from GGCL to GCPC;
“Announcement”	the announcement of the Company dated 7 October 2015 in relation to, among others, the entering of the GCHL Master Supply Agreement;
“Articles of Association”	the articles of association of the Company currently in force;
“Board”	the board of Directors;
“Chairman” or “Mr. Song”	Mr. Song Zhenghuan, the chairman of the Board, chief executive officer of the Company and an 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 main board of 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 of the Company to be held at 35/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 20 November 2015 at 10:00 am, to consider and, if appropriate, to approve the resolutions relating to the entering of the GCHL Master Supply Agreement contained in the notice of the meeting which is set out on pages 39 to 40 of this circular, or any adjournment thereof;

DEFINITIONS

“First Pingxiang Lease Agreement”	the supplemental lease agreement dated 7 October 2015 entered into between GCPX and GGPX in relation to the lease of Property I, Property II, Property III and Property IV from GGPX to GCPX;
“GBHK Products”	strollers, children’s car seats, cribs, children’s bicycles and other durable juvenile products (including “CYBEX” and “Evenflo” brands acquired by the Group during the year 2014) to be supplied by GBHK Group to the GCHL Group pursuant to the GCHL Master Supply Agreement;
“GBHK Group”	GBHK and its subsidiaries
“GBHK”	Goodbaby (Hong Kong) Limited (好孩子(香港)有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“GCHL”	好孩子中國控股有限公司 (Goodbaby China Holdings Limited), a company incorporated in the Cayman Islands with limited liability;
“GCHL Group”	GCHL and its subsidiaries;
“GCHL Master Supply Agreement”	the master supply agreement dated 7 October 2015 entered into between GBHK and GCHL, details of which are set out under the section headed “New Continuing Connected Transaction — GCHL Master Supply Agreement” of this circular;
“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;
“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;
“GCPX”	好孩子兒童用品平鄉有限公司 (Goodbaby Child Products Pingxiang Co., Ltd.*), a company established in the PRC and an indirect wholly owned subsidiary of the Company;
“GGCL”	好孩子集團有限公司 (Goodbaby Group Co., Ltd.*), a company established in the PRC and controlled by the Chairman and his spouse, Ms. Fu Jingqiu;
“GGPX”	好孩子集團平鄉有限公司 (Goodbaby Group Pingxiang Co., Ltd.*), a company established in the PRC and a wholly owned subsidiary of GGCL;

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“Gift Products”	infants’ and children’s products such as nursing products, paper products or toys;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“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 GCHL Master Supply Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser” or “GF Capital”	GF Capital (Hong Kong) Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of approving the GCHL Master Supply Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	independent shareholders of the Company;
“Latest Practicable Date”	3 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Lease Agreements”	collectively, the First Pingxiang Lease Agreement, the Second Pingxiang Lease Agreement and the 2015 Kunshan Lease Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and the Macau Special Administrative Region of the People’s Republic of China for the purpose of this circular;
“Products”	strollers, children’s car seats, cribs, children’s bicycles and other durable juvenile products supplied by GCPC to GCCL pursuant to the 2013 GCCL Supply Agreement;

DEFINITIONS

“Property I”	the premises situated on the south side of the eastern section of Zhonghua Road, Pingxiang County, Hebei Province, PRC (河北省平鄉縣城中華路東段南側) of a total of 22,248 square metres with building ownership certificates of Ping Fang Quan Zheng Qi Qu 03 Zi No.566 (平房權證乞區03字第566號) and Ping Fang Quan Zheng Qi Qu 03 Zi No. 567 (平房權證乞區03字第567號);
“Property II”	the premises situated on the south side of the eastern section of Zhonghua Road, Pingxiang County, Hebei Province, PRC (河北省平鄉縣城中華路東段南側) of a total of approximately 41,297.71 square metres with building ownership certificates of Ping Fang Quan Zheng Qi Qu 03 Zi No. 563 (平房權證乞區03字第563號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 564 (平房權證乞區03字第564號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 565 (平房權證乞區03字第565號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 568 (平房權證乞區03字第568號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 570 (平房權證乞區03字第570號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 705 (平房權證乞區03字第705號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 708 (平房權證乞區03字第708號) and Ping Fang Quan Zheng Qi Qu 03 Zi No.709 (平房權證乞區03字第709號);
“Property III”	the premises situated on the south side of the eastern section of Zhonghua Road, Pingxiang County, Hebei Province, PRC (河北省平鄉縣城中華路東段南側) of a total of 10,044 square metres with building ownership certificate of Ping Fang Quan Zheng Qi Qu 03 Zi No.569 (平房權證乞區03字第569號);
“Property IV”	the premises situated on the south side of the eastern section of Zhonghua Road, Pingxiang County, Hebei Province, PRC (河北省平鄉縣城中華路東段南側) of a total of 4,541.39 square metres with building ownership certificates of Ping Fang Quan Zheng Qi Qu 03 Zi No.564 (平房權證乞區03字第564號), Ping Fang Quan Zheng Qi Qu 03 Zi No.565 (平房權證乞區03字第565號), Ping Fang Quan Zheng Qi Qu 03 Zi No.703 (平房權證乞區03字第703號) and Ping Fang Quan Zheng Qi Qu 03 Zi No.704 (平房權證乞區03字第704號);
“Property V”	the premises situated on the south side of the eastern section of Zhonghua Road, Pingxiang County, Hebei Province, PRC (河北省平鄉縣城中華路東段南側) of a total of 12,821.82 square metres with building ownership certificate of Ping Fang Quan Zheng Qi Qu 03 Zi No.702 (平房權證乞區03字第702號);

DEFINITIONS

“Property VI”	the premises situated on No. 2 Luqian Road, Lujia Town, Kunshan City, Jiangsu Province, PRC of a total of 5,838.6 square metres with building ownership certificate of Kun Fang Quan Zheng Lu Jia Di No. 121009597 (昆房權證陸家第121009597號);
“PUD”	Pacific United Development Limited, a private limited liability company incorporated in the British Virgin Islands holding 23.40% interests in the Company and a substantial shareholder of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Pingxiang Lease Agreement”	the supplemental lease agreement dated 7 October 2015 entered into between GCPC and GGPX in relation to the lease of Property V from GGPX to GCPC;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share Option(s)”	share option(s) granted under the share option scheme adopted by the Shareholders of the Company on 5 November 2010
“Shareholder(s)”	holder(s) of the Share(s);
“Shares(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Takeovers Code”	The Code on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong as amended from time to time; and
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

SONG Zhenghuan

(Chairman and Chief Executive Officer)

WANG Haiye

(Vice President)

Michael Nan QU

Martin POS

Non-executive Director:

HO Kwok Yin, Eric

Independent Non-executive Directors:

Iain Ferguson BRUCE

CHIANG Yun

SHI Xiaoguang

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Head Office:

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Lujia Town, Kunshan City

Jiangsu Province, 215331

PRC

*Principal Place of Business in
Hong Kong:*

Room 2001, 20th Floor

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

5 November 2015

To the Shareholders

Dear Sir/Madam,

**NEW CONTINUING CONNECTED TRANSACTION
AND
NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the Announcement in relation to, among others, the GCHL Master Supply Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purposes of this circular are, among other things: (i) to provide the Shareholders with further details on the GCHL Master Supply Agreement and the transactions contemplated thereunder; (ii) to set out the recommendation of the Independent Board Committee relating to the GCHL Master Supply Agreement and the transactions contemplated thereunder; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders relating to the GCHL Master Supply Agreement and the transactions contemplated thereunder; and (iv) to give the Shareholders notice of the EGM to consider and, if thought fit, to approve the GCHL Master Supply Agreement and the transactions contemplated thereunder.

2. NEW CONTINUING CONNECTED TRANSACTION

I. GCHL MASTER SUPPLY AGREEMENT

Reference is made to the announcement of the Company dated 29 October 2012 in respect of the 2013 GCCL Supply Agreement entered into between GCPC and GCCL for the supply of the Products from GCPC to GCCL for a term from 1 January 2013 to 31 December 2015. As the 2013 GCCL Supply Agreement will be expiring on 31 December 2015 and to further optimize and unify the Group's business relationship with GCCL, the GCHL Master Supply Agreement was entered into on 7 October 2015 between GBHK which in turn directly holds 100% interest in GCPC and GCHL which in turn indirectly holds 100% interest in GCCL, pursuant to which GBHK agreed to supply, or procure its subsidiaries to supply, the GBHK Products to the GCHL Group for domestic sales for a period commencing from 1 January 2016 and ending on 31 December 2018, and GCHL agreed to distribute or procure its subsidiaries to distribute the GBHK Products supplied by GBHK Group in the domestic market.

Details of the GCHL Master Supply Agreement are set out as below:

Date:	7 October 2015
Parties:	(1) GBHK (2) GCHL
Subject:	GBHK agreed to supply, or procure its subsidiaries to supply, the GBHK Products to the GCHL Group for domestic sales, and GCHL agreed to distribute or procure its subsidiaries to distribute the GBHK Products supplied by the GBHK Group in the domestic market.
Term:	The GCHL Master Supply Agreement has a fixed term of three years commencing from 1 January 2016 to 31 December 2018 (both days inclusive).

LETTER FROM THE BOARD

Pricing policy:	The purchase prices of the GBHK Products payable by the GCHL Group will be determined with reference to the prevailing market prices and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the paragraph headed “V. Pricing Principles for the GBHK Products under the GCHL Master Supply Agreement” below.
Settlement term:	For the period from 1 January 2016 to 31 December 2016, payment shall be made within 120 days upon the date of invoice. Thereafter, the payment term will be determined based on annual review and adjustment based on the actual turnover days of the accounts receivable in the previous year, but in any event not more than 120 days. The payable turnover day of 120 days under the GCHL Master Supply Agreement is in alignment with the settlement terms as stipulated under the 2013 GCCL Supply Agreement.
Delivery term:	Within three business days upon receipt by GBHK and/or its subsidiaries of specific purchase orders from GCHL Group, members of the GCHL Group may collect at their own costs such GBHK Products from the warehouse of GBHK and/or its subsidiaries, or GBHK and/or its subsidiaries may deliver such GBHK Products to such venue of transportation receipt situated in Shanghai or Kunshan City, Jiangsu Province as designated by members of the GCHL Group, for GCHL and/or its subsidiaries to transport at its own costs.
Cap amount:	The transaction amount for each of the three financial years ending 31 December 2018 will not exceed the following annual cap:

	Financial year ending 31 December 2016 <i>RMB' 000</i>	Financial year ending 31 December 2017 <i>RMB' 000</i>	Financial year ending 31 December 2018 <i>RMB' 000</i>
Annual cap	1,110,000	1,450,000	1,870,000

The annual caps under the GCHL Master Supply Agreement were determined based on historical transaction amount, the expected increase in demand for the GBHK Products by the GCHL Group driven by the expansion plan of the retail network and coverage in the PRC of the GCHL Group and the development plan of the GCHL Group's mobile and internet sales.

LETTER FROM THE BOARD

The historical transaction amount of purchases by GCCL for each of the two financial years ended 31 December 2014 and the eight months ended 31 August 2015 under the 2013 GCCL Supply Agreement are as follows:

	For the year ended 31 December 2013 <i>RMB' 000</i>	For the year ended 31 December 2014 <i>RMB' 000</i>	For the eight months ended 31 August 2015 <i>RMB' 000</i>
Annual caps under the 2013 GCCL Supply Agreement	630,762	977,680	1,466,521
Historical transaction amount	465,960	644,129	473,603

As at the Latest Practicable Date, the annual caps under the 2013 GCCL Supply Agreement for the three financial years ending 31 December 2015 have not been exceeded.

II. REASONS FOR THE GCHL MASTER SUPPLY AGREEMENT

GCPC has been supplying the Products to GCCL for domestic sales pursuant to the 2013 GCCL Supply Agreement. The 2013 GCCL Supply Agreement will expire on 31 December 2015. For the purpose of continuing the supply, the GCHL Master Agreement was signed. The signing parties are different from the 2013 GCCL Supply Agreement for the following reasons: (i) GCCL has been one of the Group's major distributors; (ii) GBHK, which in turn directly holds 100% interest in GCPC, has a wider range of product offering as compared to that of GCPC as it also manufactures, distributes and markets the "CYBEX" and "Evenflo" brands which were acquired by the Group during the year 2014; and (iii) GCHL, which in turn indirectly holds 100% interest in GCCL, has larger and more extensive retail channels than those of GCCL. With the GCHL Master Supply Agreement, GBHK would benefit more brands of the Group to better use the extended retail and distribution network of the GCHL Group. GCHL Group is China's largest omni-channel specialty retailer for maternity, baby and children's products and one of China's leading sales platforms among all retailers selling maternity, baby and children's products, each as measured by total retail sales value in 2014. GCCL, an indirect wholly-owned subsidiary of GCHL, is one of the largest distributors of the Group during the year ended 31 December 2014. As at 30 June 2015, the sales network of the GCHL Group covers 31 provinces, autonomous regions and municipalities in the PRC.

Taking into consideration of (i) the existing and the developing nationwide coverage of retail channels of the GCHL Group in the PRC and their leading position in the retail industry for maternity and baby products in the PRC; (ii) the significant contribution of the GCHL Group (through GCCL) to the revenue of the Group in the PRC market in the past, accounted for approximately 34.3%, 43.0% and 55.4% of the Group's total revenue derived from the PRC Market for the three years ended 31 December 2014, which is comparatively higher than contribution made by other independent distributors; and (iii) the stable and well-established cooperation history and strategic business

LETTER FROM THE BOARD

relationship between the Group and the GCHL Group in the past, the Group believes that maintaining and further unifying the cooperation relationship between the Group and the GCHL Group will benefit enhancing the sales of the Group's products which in turn will benefit the Group's revenue growth and future development. Based on the above, the Directors are of the view that the entering of the GCHL Master Supply Agreement, including the annual caps and the credit term of 120 days contemplated thereunder and the terms of the GCHL Master Supply Agreement, is fair and reasonable, under normal commercial terms and in the interests of the Shareholders as a whole.

III. LISTING RULES IMPLICATIONS

GCHL is a company which is held as to approximately 87.24% by companies ultimately controlled by the Chairman and his spouse, including PUD, a substantial shareholder of the Company holding approximately 23.52% of the total issued shares of the Company as at the Latest Practicable Date. Accordingly, GCHL 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 some of the applicable percentage ratios (other than the profit ratio) for the transaction contemplated under the GCHL Master Supply Agreement are expected to be more than 5%, the GCHL Master Supply Agreement and the transactions contemplated thereunder will be subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

IV. GENERAL

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the GCHL Master Supply Agreement and the transactions contemplated thereunder. GF Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the GCHL Master Supply Agreement and the transactions contemplated thereunder. PUD and its associates shall abstain from voting on the proposed resolution approving the GCHL Master Supply Agreement and the transactions contemplated thereunder at the EGM.

Each of the Chairman (i.e. Mr. Song Zhenghuan) together with his associates, Mr. Wang Haiye and Mr. Michael Nan Qu, each a Director, holds certain interests in GCHL, and GCCL is an indirect wholly-owned subsidiary of GCHL. Accordingly, each of the Chairman, Mr. Wang Haiye and Mr. Michael Nan Qu is considered as having a material interest in the transactions contemplated under the GCHL Master Supply Agreement and accordingly they have abstained from voting on the board resolution for approving the GCHL Master Supply Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

V. PRICING PRINCIPLES FOR THE GBHK PRODUCTS UNDER THE GCHL MASTER SUPPLY AGREEMENT

The price of each GBHK Product to be supplied by the Group under the GCHL Master Supply Agreement will be determined upon arm's length negotiation between the parties in the ordinary course of business of the Group along the following principles:

- (i) pre-determine a benchmark retail price for the relevant GBHK Product by considering the prevailing market prices of the products similar to the relevant GBHK Product taking into account of the costs of the production of the relevant GBHK Product and the applicable mark-up rate for the relevant GBHK Product;
- (ii) apply the discount rate specific to the relevant customer to the benchmark retail price; and
- (iii) ensure that the terms offered to the GCHL Group as connected person of the Group are no more favourable to the terms offered to independent third parties.

The production or outsourcing department of the Company will provide the cost analysis in relation to each GBHK Product to the market and sales department for consideration. The manager in charge of the market and sales department will then ascertain the prevailing market price of the relevant product through market research involving obtaining questionnaires from potential customers and/or distributors based on the type and nature of the relevant product. At the same time, the said manager will also obtain quotes of similar products from not less than two competing brands unless such quotes are not available for certain types of products. Once the information on prevailing market price of the relevant product has been gathered through market research, the said manager will determine the proposed benchmark retail price and then discuss with the finance department on the gross profit requirement applicable to each relevant product in order to determine the mark-up rate as well as the discount rate applicable to each relevant product, and submit the final purchase price of the relevant product to the general manager of the market and sales department for final approval.

(i) *Pre-determine a benchmark retail price for each GBHK Product*

To pre-determine a benchmark retail price for the relevant GBHK Product, the Company will make reference to (a) the prevailing market prices of the products similar to the relevant GBHK Product; and (b) its costs of the production of the relevant GBHK Product plus mark-up rate specific to the relevant GBHK Product.

For a new product or an existing product with new and enhanced features, the Company will refer to the prevailing market prices by conducting market research in the manner as mentioned above prior to the launch of such product.

For an existing product with new and enhanced features, the Company will also refer to the historical price charged by the Group before the new and enhanced features are introduced and take into account of indicative range of additional price which may be acceptable to end-users obtained through market research conducted by the Group in the manner as mentioned above prior to the launch of such product.

LETTER FROM THE BOARD

For an existing product with no new and enhanced features, the Company will refer to the average retail price of products similar to the relevant GBHK Products offered by other competing brands. The Company will obtain prices offered by at least two other competing brands for comparison purpose.

After identifying the prevailing market prices of the products similar to the relevant GBHK Product, the Group will also make reference to the costs of the production of the relevant GBHK Product and mark-up rate specific to the relevant GBHK Product.

The mark-up rate applicable to the relevant GBHK Product may vary under the GCHL Master Supply Agreement. The Company will consider the following factors in determining the mark-up rate to be applied to the relevant GBHK Product: (a) the brand of the relevant GBHK Product; (b) the product type and, in particular, whether the product consists of any innovative feature; (c) the market positioning of the product as to whether the relevant GBHK Product is targeted at high-end or low-end market users; and (d) the distribution networks and the incidental logistic arrangement for the product. As an indication, a higher mark-up rate will generally be considered for a product with a well-established brand name targeted at a high-end market and/or with innovative feature, while a lower mark-up rate will be considered for hypermarket as compared with shopping mall. The mark-up rate is not a term of the GCHL Master Supply Agreement. It will be determined by the Company with respect to each product based on the above factors and in the manner as described above.

(ii) ***Determine the discount rate***

Upon the determination of a benchmark retail price, the Company will apply the applicable discount rate to it. The discount rate is part of the GCHL Supply Agreement but it varies among each of the individual customers. The Company will consider the following factors before determining the discount rate to be applied: (a) the profile of each individual customer including the coverage of the distribution network of each individual customer; (b) the type as well as the quantity of products ordered by such individual customer; and (c) the number of years of cooperation with such individual customer as well as its relationship with the Group. As an indication, depending on the type of products ordered, a higher discount rate will generally be considered for a long-term customer with a board distribution network and a high quantity of orders. The discount rate will be determined by the Company based on the above factors and in the manner as described above.

Once a benchmark retail price and the discount rate applicable to an individual customer and the specific product are confirmed, the Group will set the final purchase price.

(iii) ***Ensure the terms offered to the GCHL Group as connected person of the Group are no more favourable to the terms offered to independent third parties***

For products to be sold to the GCHL Group as a connected person of the Group, the Group will also ensure that the terms offered to it will not be more favourable than those offered by the Group to independent third parties.

LETTER FROM THE BOARD

The pricing principles above apply to all the customers of the Group, including the GCHL Group. Accordingly, the Board is of the view that the terms of the GCHL Master Supply Agreement offered by the Group to its connected persons are no more favorable than those offered by the Group to independent third parties.

VI. INTERNAL CONTROL FOR THE GROUP'S CONTINUING CONNECTED TRANSACTIONS

The pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the finance department of the Group and management of the Group in charge to ensure the relevant continuing connected transaction is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The relevant personnel from the finance department of the Group and management of the Group will conduct regular checks on a monthly basis to review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of its respective agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy. The independent non-executive Directors would continue to review the transactions contemplated under the relevant continuing connected transaction and its auditors would also conduct an annual review on the pricing terms and annual caps thereof. Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the relevant continuing connected transaction have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

3. RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement in relation to, among others, the Lease Agreements and the 2015 Gift Supply Agreement. The Company would like provide to the Shareholders the following additional information in relation to the Lease Agreements and the 2015 Gift Supply Agreement.

I. THE LEASE AGREEMENTS

Set forth below additional information in relation to the monthly rental payable by the Group pursuant to each of the Lease Agreements:

(a) First Pingxiang Lease Agreement

Pursuant to the First Pingxiang Lease Agreement, GGPX agreed to lease Property I, Property II, Property III and Property IV (amounting a total area of 78,131.1 square metres) to GCPX for the three financial years ending 31 December 2016, 2017 and 2018 at a monthly rental payment of RMB9.2 per square metre, RMB9.6 per square metre and RMB10 per square metre, respectively.

(b) Second Pingxiang Lease Agreement

Pursuant to the Second Pingxiang Lease Agreement, GGPX agreed to lease Property V (amounting a total area of 12,821.82 square metres) to GCPX for the three financial years ending 31

LETTER FROM THE BOARD

December 2016, 2017 and 2018 at a monthly rental payment of RMB10.5 per square metre, RMB11 per square metre and RMB11.5 per square metre, respectively.

(c) 2015 Kunshan Lease Agreement

Pursuant to the 2015 Kunshan Lease Agreement, GGCL agreed to lease Property VI (amounting a total area of 5,838.6 square metres) to GCPC at a monthly rental payment of RMB58,386 for each of the three financial years ending 31 December 2016, 2017 and 2018.

While the rental payment for the leasing of Property VI from GGCL to GCPC had remained stable at the fixed rate of RMB58,386 per month during the term of the 2010 Kunshan Lease Agreement, the proposed annual caps under the 2015 Kunshan Lease Agreement were determined based on the agreed monthly rental payment together with a maximum upward adjustment of 5% each year taking into consideration of a potential increase in market rentals during the term of the 2015 Kunshan Lease Agreement.

II. 2015 GIFT SUPPLY AGREEMENT

As disclosed in the Announcement, the purchase prices of the Gift Products payable by GCPC under the 2015 Gift Supply Agreement will be determined with reference to the prevailing market prices of similar products, which will be determined through a periodic price research conducted by the staff of the business department of the Group by obtaining the prices of products charged by suppliers in the market for similar products comparable to the Gift Products under the 2015 Gift Supply Agreement.

The Company would like to further supplement that the purchase prices of the Gift Products payable by GCPC under the 2015 Gift Supply Agreement will be determined in accordance with the market price approach that the prices of the Gift Products are no less favourable to the Group than those offered by GCCL to other independent third parties or those offered by other independent suppliers to the Group.

Further, by the participations of the conferences organised or to be organised by GCCL and other industry players where latest products and price trend are being shared among the industry players, staff of the business department of the Group will be able to gather the prices of products offered by GCCL to other third party distributors as well as price of products offered by other independent suppliers on both the retail and wholesale levels and compare the prices offered by GCCL to GCPC with reference to (i) the prices of similar products offered by GCCL to other independent distributors; and (ii) the prices of similar products offered by other independent suppliers. Under normal circumstances, the Group will obtain two to three quotations from different suppliers before an agreement is being entered into.

In addition, for the purpose of monitoring the 2015 Gift Supply Agreement, staff of the business department of the Group will also conduct periodic review of the purchase price of the Gift Products payable by GCPC based on the report provided by GCCL on a quarterly basis.

LETTER FROM THE BOARD

VII. INFORMATION ON THE GROUP, GBHK AND GCHL

The Group (including the GBHK 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.

The GCHL Group are principally engaged in the retail and distribution of maternity, baby and children's products (including durable and non-durable products) under its omni-channel sales platform.

4. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 39 to 40 of this circular.

Pursuant to 13.39(4) of the Listing Rules, all votes of the Shareholders at a general meetings must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. To the best of the knowledge, information and belief of the Directors, save for PUD and its associates shall abstain from voting on the proposed resolution approving the GCHL Master Supply Agreement and the transactions contemplated thereunder, none of the Shareholders is required to abstain from voting on any of the resolutions to be proposed at the EGM. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.gbinternational.com.hk). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

5. GENERAL INFORMATION

Your attention is drawn to the appendix headed "General Information" to this circular.

LETTER FROM THE BOARD

6. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolution to approve the GCHL Master Supply Agreement and the transactions contemplated thereunder; and (ii) the letter from GF Capital set out on pages 19 to 33 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the GCHL Master Supply Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of GF Capital, the Independent Financial Adviser, considers that the terms of the GCHL Master Supply Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the approval of the GCHL Master Supply Agreement and the transactions contemplated thereunder.

The Board considers that the GCHL Master Supply Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. The Board considers that the resolution proposed in the notice of EGM is in the best interests of the Company and the Shareholders and therefore recommends you to vote in favour of the relevant resolution to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Board

Goodbaby International Holdings Limited

SONG Zhenghuan

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders in respect of approving the GCHL Master Supply Agreement and the transactions contemplated thereunder.



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)

5 November 2015

To the Independent Shareholders

Dear Sir or Madam,

NEW CONTINUING CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 5 November 2015 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the GCHL Master Supply Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from GF Capital as set out on pages 19 to 33 of the Circular and the letter from the Board as set out on pages 6 to 16 of the Circular.

Having considered the information set out in the letter from the Board, the terms and conditions of the GCHL Master Supply Agreement, the factors and reasons considered by, and the opinion of GF Capital as stated in its letter of advice, we consider that the terms of the GCHL Master Supply Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the approval of GCHL Master Supply Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Iain Ferguson Bruce
*Independent Non-executive
Director*

Mr. Shi Xiaoguang
*Independent Non-executive
Director*

Ms. Chiang Yun
*Independent Non-executive
Director*

LETTER FROM GF CAPITAL

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from GF Capital which has been prepared for inclusion in this circular.



29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

5 November 2015

*To the Independent Board Committee and the Independent Shareholders
of Goodbaby International Holdings Limited*

Dear Sirs,

NEW CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ENTERING OF THE GCHL MASTER SUPPLY AGREEMENT

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps), details of which, among others, are contained in the circular of the Company to the Shareholders dated 5 November 2015 (the “**Circular**”) of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 7 October 2015, GBHK, an direct wholly-owned subsidiary of the Company (which hold 100% interest in GCPC), entered into the GCHL Master Supply Agreement with GCHL (which hold 100% interest in GCCL), pursuant to which GBHK agreed to supply, or procure its subsidiaries to supply, the GBHK Products to GCHL Group for domestic sales for a period commencing from 1 January 2016 and ending on 31 December 2018, and GCHL agreed to distribute or procure its subsidiaries to distribute the GBHK Products supplied by GBHK and its subsidiaries in the domestic market. GCHL is a company which is held as to approximately 87.24% by companies ultimately controlled by the Chairman and his spouse, including PUD, a substantial shareholder of the Company holding approximately 23.52% of the total issued shares of the Company as at the Latest Practicable Date. Pursuant to Chapter 14A of the Listing Rules, GCHL is an associate of the Chairman and thus it is regarded as a connected person of the Company under the Listing Rules. Accordingly, the respective transactions contemplated under the GCHL Master Supply Agreement will constitute a continuing connected transaction of the Company.

LETTER FROM GF CAPITAL

As some of the applicable percentage ratios (other than the profit ratio) in respect of the Annual Caps under the GCHL Master Supply Agreement are expected to exceed 5%, the GCHL Master Supply Agreement and the transactions contemplated thereunder will be subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. PUD and its associates shall abstain from voting on the proposed resolution approving the GCHL Master Supply Agreement and the transactions contemplated thereunder at the EGM.

Each of the Chairman (i.e. Mr. Song Zhenghuan) together with his associates, Mr. Wang Haiye and Mr. Michael Nan Qu, each a Director, holds certain interests in GCHL, and GCCL is a wholly-owned subsidiary of GCHL. Accordingly, each of the Chairman, Mr. Wang Haiye and Mr. Michael Nan Qu is considered as having a material interest in the transactions contemplated under the GCHL Master Supply Agreement and accordingly they have abstained from voting on the board resolution for approving the GCHL Master Supply Agreement.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Iain Ferguson Bruce, Ms. Chiang Yun, and Mr. Shi Xiaoguang, has been established to advise the Independent Shareholders in respect of the terms of the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

We, GF Capital, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps). In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listing Rules, our role is to give you an independent opinion as to whether (i) the entering into of the GCHL Master Supply Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and (ii) whether the terms of the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information and statements provided, and the opinions and representations expressed, by the Company, Directors and management of the Group for which they are solely and wholly responsible and have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and will remain so up to the time of the EGM.

We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and opinions expressed in the Circular. The Directors

LETTER FROM GF CAPITAL

confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinion.

Our review and analyses were based upon the information and facts contained or referred to in the Circular, the information provided by the Company and our review of relevant public information, which include, among others, the 2013 GCCL Supply Agreement (including the supplemental agreement dated 16 November 2011 and the renewal agreement dated 29 October 2012), the GCHL Master Supply Agreement, the Announcement, the annual reports for the three years ended 31 December 2014 (the “**Annual Reports**”) of the Company and an independent market research report on China maternity, baby and children products retail market across the period from 2010 to 2019 issued by Frost & Sullivan, an independent global consulting firm (the “**Frost & Sullivan Report**”). Founded in 1961 in New York, Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes agriculture, automotive and transportation, chemicals, materials and food, commercial aviation, consumer technology, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, information and communication technologies, metals and minerals. We consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular and to provide reasonable grounds for our advice. In addition, we have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have not, however, conducted any independent in-depth investigation into the business affairs of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders on the terms of GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps), we have taken into account the following principal factors and reasons:

1. Information on the Group, GBHK, GCHL and GCCL Group

The Group and GBHK

The Group (including GBHK and its subsidiaries) is principally engaged in the design, research and development, manufacture, marketing and sales of strollers, children’s car seats, cribs, bicycles and tricycles, and other durable juvenile products. GBHK is a direct wholly owned subsidiary of the Company.

GCHL and GCCL

GCCL is wholly-owned by GCHL, and GCHL Group is principally engaged in the retail and distribution of apparel and footwear for babies and children, durable juvenile products (such as strollers, car seats and cribs), and the maternity and babycare products.

LETTER FROM GF CAPITAL

2. Background to and reasons for entering into of the GCHL Master Supply Agreement

According to the 2013 GCCL Supply Agreement entered into between GCPC (a direct wholly owned subsidiary of GBHK) and GCCL (an indirect wholly owned subsidiary of GCHL) during 2012, GCPC would supply the Products to GCCL for a further period of three years commencing on 1 January 2013 to 31 December 2015. As stated in the Letter from the Board, as the 2013 GCCL Supply Agreement will expire on 31 December 2015 and for the purpose of continuing the supply, and optimizing and unifying the Group's business relationship with GCCL, the GCHL Master Supply Agreement was entered into on 7 October 2015 between GBHK and GCHL, pursuant to which GBHK agreed to supply, or procure its subsidiaries to supply, the GBHK Products to GCHL Group for domestic sales for a period commencing from 1 January 2016 and ending on 31 December 2018, and GCHL agreed to distribute, or procure its subsidiaries to distribute GBHK Products supplied by GBHK and its subsidiaries in the domestic market.

As advised by the Directors, the Group primarily sells its products through its distributors in the PRC which in turn primarily sell the products to end customers through their self-operated retail channel and internet sales platform. GCCL, a wholly owned subsidiary of GCHL, is the largest distributor of the Group and their business relationship have commenced since 2010. The Group has been maintaining a stable and well-established strategic business relationship with GCHL Group during the past. As stated in the Letter from the Board, revenue of the Group derived from sales of Products to GCCL accounted for approximately 34.3%, 43.0% and 55.4% of the Group's total revenue derived from the PRC market for the three years ended 31 December 2014, respectively, which is comparatively higher than contribution made by other independent distributors.

As stated in the Letter from the Board, the signing parties are different from the 2013 GCCL Supply Agreement for the following reasons: (i) GCCL has been one of the Group's major distributors; (ii) GBHK which in turn directly holds 100% interest in GCPC, has a wider scope of products offering as compared to that of GCPC, as it also manufactures, distributes and markets the "CYBEX" and "Evenflo" brands which were acquired by the Group during the year 2014; and (iii) GCHL Group, which in turn indirectly holds 100% interest in GCCL, has a larger and more extensive retail channels than those of GCCL, and accordingly, the GCHL Master Supply Agreement was entered into by GBHK and GCHL will benefit more brands of the Group to better use the extended retail and distribution network of GCHL Group. GCHL Group is China's largest omni-channel specialty retailer for maternity, baby and children products, and one of China's leading sales platforms among all retailer selling maternity, baby and children's products, each as measured by total retail sales value in 2014. According to the Frost & Sullivan Report, GCHL Group is the largest specialty maternity, baby and children products retailer in China in terms of total retail sales value and number of self-operated stores, in 2014. As stated in the Letter from the Board, as at 30 June 2015, the sales network of GCHL Group covers 31 provinces, autonomous regions and municipalities in the PRC.

Taking into consideration of (i) the existing and the developing nationwide coverage of retail channels of GCHL Group in the PRC and their leading position in the retail industry for maternity and baby products in the PRC; (ii) the significant contribution of the GCHL Group (through GCCL) to the revenue of the Group in the PRC market during the past; (iii) the stable and well-established strategic business relationship and cooperation history between the Group and the GCHL Group in the past, we

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concur with the Directors' view that entering of the GCHL Master Supply Agreement will allow the Group to continue leveraging on the extensive retail channels of GCHL in the PRC market which in turn will benefit the Group's sales channels and thus the revenue growth and future development of the Group.

We are of the view that the entering into the GCHL Master Supply Agreement is in the ordinary and usual course of business of the Group.

3. Principal terms of the GCHL Master Supply Agreement

(i) *Settlement term*

For the period from 1 January 2016 to 31 December 2016, payment pursuant to the GCHL Master Supply Agreement shall be made within 120 days upon the date of invoice. Thereafter, payment term pursuant to the GCHL Master Supply Agreement will be determined based on the annual review and adjustment based on the actual turnover days of the accounts receivable in the previous year, but in any event not more than 120 days. The payable turnover day of 120 days under the GCHL Master Supply Agreement is in alignment with the settlement terms as stipulated under the 2013 GCCL Supply Agreement.

To assess the fairness and reasonableness of the settlement term under the GCHL Master Supply Agreement, we have taken into account the followings:

- (a) as stated in the Letter from the Board, GCHL Group is China's largest omni-channel specialty retailer for retailer for maternity, baby and children's products and one of China's leading sales platforms among all retailer selling maternity, baby and children's products, each as measured by total retail sales value in 2014. As at 30 June 2015, the sales network of GCHL Group covers 31 provinces, autonomous regions and municipalities in the PRC. In addition, as mentioned in the paragraph headed "Background to and reasons for entering into of the GCHL Master Supply Agreement" above, according to Frost & Sullivan Report, GCHL Group is the largest specialty maternity, baby and children's products retailer in China in terms of total retail sales value and number of self-operated stores, in 2014.

Based on our review of the Annual Reports, GCHL Group has been the Group's largest distributor for the PRC market when the then business relationship between the Group and GCCL commenced since 2010, whereby sales to GCCL accounted for approximately 34.3%, 43.0% and 55.4% of the Group's total revenue derived from the PRC market for the three years ended 31 December 2014. To the contrary, based on the information provided by the Company, we noted that the second largest distributor of the Group accounted for approximately only 2.9%, 2.2% and 1.8% of the Group's revenue derived from the PRC for the three years ended 31 December 2014.

In light of the above, we are of the view that GCHL Group is a crucial distributor of the Group's sales in the domestic market and has been significant to the Group's business in the PRC.

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- (b) We have altogether reviewed eight sample distributorship agreements entered into between the Group and its independent customers during the period from 2013 to 2015. Based on our review of the sample distributorship agreements and the Annual Reports, we noted that the credit period granted by the Group to its independent customers is generally less than that granted by GBHK to GCHL under the GCHL Master Supply Agreement. Given that the sample distributorship agreements were transacted during the term of the 2013 GCCL Supply Agreement and involved similar products, we consider that the samples we obtained and reviewed are fair and representative. As advised by the Company, such a longer payment term is determined with reference to the settlement term under the 2013 GCCL Master Supply Agreement and the normal settlement cycle between GCHL and its suppliers.

As part of our due diligence exercise, we have obtained from the Company and GCHL Group the financial data regarding the average payable turnover days of GCHL Group are approximately 120 days and aligns with the settlement term under the GCHL Master Supply Agreement. Given that (i) sales to GCHL Group has been contributing significant portion to the Group's sales in the PRC market; (ii) the extensive sales network possessed by GCHL in the PRC; and (iii) the settlement term under the GCHL Master Supply Agreement aligns with the payable turnover days of GCHL Group, we are of the view that granting the credit period of 120 days to GCHL Group under the GCHL Master Supply Agreement is justifiable.

- (c) as advised by the Company, settlement record from GCHL Group (via GCCL) has been good and the Group did not experience any substantial overdue record from GCCL in the past. As part of our due diligence exercise, we have checked the monthly overdue receivable balances of GCCL with a sample size of 20 months and the Group's monthly sales derived from GCCL across the period from 2013 to 2015 as extracted by the Group's internal accounting system and found that the respective receivable turnover days for the respective period was in line with the credit terms of 120 days granted by the Group. Since the retrieved accounting record covered the majority of the term of the 2013 GCCL Supply Agreement, we considered that the samples we obtained and reviewed are fair and representative.

Given that (i) sales to GCHL has been contributing significant portion to the Group's sales in the PRC market; (ii) the extensive sales network possessed by GCHL in the PRC; (iii) the settlement term under the GCHL Master Supply Agreement aligns with the payable turnover days of GCHL Group; and (iv) the good settlement record of GCHL Group in the past, we are of the view that granting the credit period of 120 days to GCHL under the GCHL Master Supply Agreement is justifiable and the settlement term under the GCHL Master Supply Agreement is fair and reasonable.

LETTER FROM GF CAPITAL

(ii) *Pricing policy and other major terms*

As stated in the Letter from the Board, the price of each GBHK Product to be supplied by the Group under the GCHL Master Supply Agreement will be determined upon arm's length negotiation between the parties in the ordinary course of business of the Group along the following principles:

- (i) pre-determine a benchmark retail price for the relevant GBHK Product by considering the prevailing market prices of the products similar to the relevant GBHK Product taking into account of the costs of the production of the relevant GBHK Product and the applicable mark-up rate for the relevant GBHK Product;
- (ii) apply the discount rate specific to the relevant customer to the benchmark retail price; and
- (iii) ensure that the terms offered to the GCHL Group as connected person of the Group are no more favourable to the terms offered to independent third parties.

The production or outsourcing department of the Company will provide the cost analysis in relation to each GBHK Product to the market and sales department for consideration. The manager in charge of the market and sales department will then ascertain the prevailing market price of the relevant product through market research involving obtaining questionnaires from potential customers and/or distributors based on the type and nature of the relevant product. At the same time, the said manager will also obtain quotes of similar products from not less than two competing brands unless such quotes are not available for certain types of products. Once the information on prevailing market price of the relevant product has been gathered through market research, the said manager will determine the proposed benchmark retail price and then discuss with the finance department on the gross profit requirement applicable to each relevant product in order to determine the mark-up rate as well as the discount rate applicable to each relevant product, and submit the final purchase price of the relevant product to the general manager of the market and sales department for final approval.

(i) *Pre-determine benchmark retail price for each GBHK Product*

To pre-determine a benchmark retail price for the relevant GBHK Product, the Company will make reference to (a) the prevailing market prices of the products similar to the relevant GBHK Product; and (b) its costs of the production of the relevant GBHK Product plus a mark-up rate specific to the relevant GBHK Product.

For a new product or an existing product with new and enhanced features, the Company will refer to the prevailing market prices by conducting market research in the manner as mentioned above prior to the launch of such product.

For an existing product with new and enhanced features, the Company will also refer to the historical price charged by the Group before the new and enhanced features are introduced and take into account of indicative range of additional price which may be acceptable to end-users obtained through market research conducted by the Group in the manner as mentioned above prior to the launch of such product.

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For an existing product with no new and enhanced features, the Company will refer to the average retail price of products similar to the relevant GBHK Products offered by other competing brands. The Company will obtain prices offered by at least two other competing brands for comparison purpose.

After identifying the prevailing market prices of the products similar to the relevant GBHK Product, the Group will also make reference to the costs of the production of the relevant GBHK Product and an applicable mark-up rate specific to the relevant GBHK Product.

The mark-up rate applicable to the each relevant GBHK Product may vary under the GCHL Master Supply Agreement. The Company will consider the following factors before determining the mark-up rate to be applied to the relevant GBHK Product: (a) the brand of the relevant GBHK Product; (b) the product type and, in particular, whether the product consists of any innovative feature; (c) the market positioning of the product as to whether the relevant GBHK Product is targeted at high-end or low-end market users; and (d) the distribution networks and the incidental logistic arrangement for the product. As an indication, a higher mark-up rate will generally be considered for a product with a well-established brand name targeted at a high-end market and/or with innovative feature, while a lower mark-up rate will be considered for hypermarket as compared with shopping mall. The mark-up rate is not a term of the GCHL Master Supply Agreement. It will be determined by the Company with respect to each product based on the above factors and in the manner as described above.

(ii) ***Determine the discount rate***

Upon the determination of a benchmark retail price, the Company will apply the applicable discount rate to it. The discount rate is part of the GCHL Supply Agreement but it varies among each of the individual customers. The Company will consider the following factors before determining the discount rate to be applied: (a) the profile of each individual customer including the respective coverage of the distribution network of each individual customer; (b) the type as well as the quantity of products ordered by such individual customer; and (c) the number of years of cooperation of such individual customer as well as its relationship with the Group. As an indication, depending on the type of products ordered, a higher discount rate will generally be considered for a long-term customer with a board distribution network and a high quantity of orders. The discount rate will be determined by the Company based on the above factors and in the manner as described above.

Once a benchmark retail price and the discount rate applicable to an individual customer and the specific product are confirmed, the Group will set the final purchase price.

(iii) ***Ensure the terms offered to the GCHL Group as connected person of the Group are no more favourable to the terms offered to independent third parties***

For products to be sold to the GCHL Group as a connected person of the Group, the Group will also ensure that the terms offered to it will not be more favourable than those offered by the Group to independent third parties.

LETTER FROM GF CAPITAL

The pricing principles above apply to all the customers of the Group, including the GCHL Group. Accordingly, as stated in the Letter from the Board, the Directors are of the view that the terms of the GCHL Master Supply Agreement offered by the Group to its connected persons are no more favorable than those offered by the Group to independent third parties.

In order to assess the fairness and reasonableness of the price of the GBHK Products offered to GCHL Group by GBHK and whether price of the GBHK Products is determined in accordance with the pricing policy as mentioned above, we have reviewed (i) nine sample copies of the invoices for the transactions contemplated under the 2013 GCCL Supply Agreement; (ii) eight sample copies of the distributorship agreements entered into between the Group and independent customers; and (iii) nine sample copies of the invoices for sales of similar products to independent customers on a sampling basis, and noted that the pricing of the products offered to GCHL Group have been comparable to those offered to other independent customers of the Group. Given that the above stated sample invoices and distributorship agreements were transacted during the term of the 2013 GCCL Supply Agreement and involved similar products, we consider that the samples we obtained and reviewed are fair and representative. Further, we have obtained the relevant research record for specific product, the internal approval records for the product as well as the financial keeping record for inspection, and noted that pricing of the Group product has been in line with the pricing policy as mentioned above. In addition, we are given to understand that the pricing of the GBHK Products are arrived at after arm's length negotiations between the parties.

In addition, save for the settlement term, we noted that other terms of the GCHL Master Supply Agreement, including the delivery terms and the products warranty terms are comparable to the terms offered to Independent Third Parties Customers as stated in the distributorship agreements entered into between the Group and independent customers which we have obtained from the Company and reviewed.

Having taken into account the above factors and given the Group's internal control mechanism in respect of the GCHL Master Supply Agreement and the transaction contemplated thereunder including (i) the pricing policy will be supervised and monitored by the relevant personnel and management of the Group in charge to ensure the GCHL Master Supply Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole; (ii) the relevant personnel and management of the Group will conduct regular checks to review and assess whether the transactions contemplated under the GCHL Master Supply Agreement are conducted in accordance with the terms of the GCHL Master Supply Agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy; and (iii) the independent non-executive Directors would continue to review the transactions contemplated under the GCHL Master Supply Agreement and its auditors would also conduct an annual review on the pricing terms and annual caps thereof, as stated in the Letter from the Board, we consider that the internal control mechanism is sufficient to ensure that the terms of the GCHL Master Supply Agreement and the transactions contemplated thereunder are on normal commercial terms.

LETTER FROM GF CAPITAL

4. Annual Caps

Set out below are the historical transaction amounts under the 2013 GCCL Supply Agreement and the relevant annual caps under GCHL Supply Agreement for the three years ending 31 December 2015:

	For the financial year ended/ending 31 December			
	2012	2013	2014	2015
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sales to GCCL				
Annual caps under the 2013 GCCL Supply Agreement	406,943	630,762	977,680	1,466,521
Historical sales amounts	363,608	465,960	644,129	473,603
Utilization rates	89.4%	73.9%	65.9%	32.3%*

* The utilization rate for 2015, which only reflected the sales amounts for the eight months ended 31 August 2015, is for illustrative purpose only and might not be comparable to the utilization rate for the preceding years.

As shown by the table above, the transaction amount of sales from GCPC to GCCL has increased from around RMB 363.6 million for the year ended 31 December 2012 to approximately RMB 644.1 million for the year ended 31 December 2014, representing a CAGR of approximately 33.1% and the utilization rates of the respective annual caps were ranging from approximately 65.9% to 89.4% across the period. As at the Latest Practicable Date, the annual caps under the 2013 GCCL Supply Agreement for the three financial years ending 31 December 2015 have not been exceeded. As advised by the Directors, the growth in historical transaction amounts was mainly due to continuing growth of GCHL Group's sales generating from its expanding nationwide coverage of retail channels as well as same store sales growth in the PRC across the period.

The Board proposes to set the Annual Caps for the transactions pursuant to the GCHL Master Supply Agreement for the three years ending 31 December 2018 as the following:

	For the year ending 31 December 2016 <i>(RMB)</i>	For the year ending 31 December 2017 <i>(RMB)</i>	For the year ending 31 December 2018 <i>(RMB)</i>
Annual cap	1,110 million	1,450 million	1,870 million
% of decrease /increase as compared to preceding year	(24.3)%	30.6%	29.0%

LETTER FROM GF CAPITAL

As set out in the Letter from the Board, the Annual Caps were determined based on historical transaction amount under the 2013 GCCL Supply Agreement, the expected increase in demand for the GBHK Products by GCHL Group driven by the expansion plan of the retail network and coverage in the PRC of GCHL Group and the development plan of GCHL Group's internet sales. Also, we noted from the Letter from the Board that GBHK cover a wider scope of products offering as compared to that of GCPC as it also manufactures, distributes and markets the "CYBEX" and "Evenflo" brands which were acquired by the Group during the year 2014, while GCHL has larger and more extensive retail channels than those of GCCL.

We noted that the Annual Cap for the year ending 2016 amounts to RMB 1,110 million and represents a decrease of approximately 24.3% compared to the annual cap for the year ending 2015 under the 2013 GCCL Supply Agreement, and each of the Annual Caps for the financial year 2017 and 2018 represents an annual growth rate of approximately 30.6% and approximately 29.0% compared to that for the preceding financial year, respectively. The respective growth rate in the Annual Cap for each of the financial year ending 31 December 2017 and 2018 is comparable to the CAGR of approximately 33.1% of the Group's historical sales to GCHL Group (through GCCL) under the 2013 GCCL Supply Agreement for the three years ended 31 December 2014. Apart from considering the historical transaction amount and the respective growth rate for the three years ended 31 December 2014, in assessing the fairness and reasonableness of the Annual Caps, we have also taken into account of the followings:

- (a) As advised by the Company and based on the information provided by the Company, the growth of sales to GCHL Group (through GCCL) for the three years ended 31 December 2014 was primarily attributable to the expansion of GCCL's retail network as well as its online sales.

In addition, the Company has taken into account the GCHL Group's business and development plan in the years ahead in formulating the amount of the Annual Caps which represent the Group's estimated sales to GCHL Group in the corresponding year. Based on our discussion with the senior management of GCHL Group and the Company and the future development strategy we obtained, we were given to understand that GCHL Group will continue strengthening its sales network and distribution platform, including increasing the number of self-operated stores and setting up omni-channel sales platform which includes multiple online and offline sales networks and provides the end-customers with easy access to its products. For instance, based on the future development strategy of GCHL Group, as the core of their online to offline initiatives, GCHL Group recently launched mobile application, Mamahao, for pilot operation since August 2015 in the six selected cities of Shanghai, Hangzhou, Shenzhen, Chengdu, Taiyuan and Fuyang. GCHL are currently planning to roll out Mamahao nationwide. As at the 30 September 2015, GCHL Group have attracted over 590,000 users who have downloaded and registered it and over 460,000 transactions had been made through it.

Besides, based on the financial figures provided by Company, we noted that the historical transaction amount of purchase of the Products by GCCL for the eight months ended 31 August 2015 reached approximately RMB473.6 million, representing an approximately

LETTER FROM GF CAPITAL

25.6% increase as compared to the corresponding period in 2014. The Directors consider that sales of the GBHK Products via GCHL Group's platform will be able to achieve a sustainable growth comparable to the growth rate for the financial years 2013 and 2014 given GCHL Group's effort in strengthening its sales network and distribution platform.

To further assess the prospect of sales of GBHK Products in the PRC, we have made reference to the relevant industry statistics:

- According to Frost & Sullivan Report, the durable juvenile products retail market has witnessed sustained growth momentum. In 2010, the total retail sales value of durable juvenile products reached RMB15.14 billion and has further increased to RMB24.95 billion in 2014, representing a CAGR of approximately 13.3%. It is expected that the market growth will maintain in the following years and the retail sales is likely to increase to RMB48.13 billion in 2019, representing a CAGR of 14.04% from 2014 to 2019.
 - According to the research report "2014 China Online Shopping Report" issued by iResearch, an consultancy organization focusing on research in China's internet industry, the gross market value of online shopping in the PRC witnessed substantial growth in recent years with an annual growth of 68.3% and 39.4% in 2012 and 2013, respectively, and is expected to continue growing at a CAGR of approximately 26% from 2014 to 2017 owing to the continual rapid growth of business-to-consumer (B2C). Also, the gross market value of mobile shopping has recorded an even higher growth rate with an annual growth rate of approximately 440.8% and 168.6% in 2012 and 2013, respectively, and is expected to continue growing at a CAGR of approximately 59% from 2014 to 2017 attributable to the improvement of Internet infrastructure, popularization of smart devices and development of 4G network in the PRC.
 - According to the research report "2014 China Maternal & Baby Industry E-commerce Report" issued by iResearch, coupled with the growth trend of gross market value of online shopping in the PRC as mentioned above, the gross market value of online gross market of maternal and baby industry in the PRC also witnessed substantial growth with an annual growth rate of 50.5% and 50.5% from in 2012 and 2013, respectively, and is expected to continue growing at a CAGR of approximately 28% from 2014 to 2018, as a result of the continuous penetration of online channels in the market.
- (b) According to the change in birth control policy published by "中華人民共和國國家衛生和計劃生育委員會" (Nation Health and Family Planning Commission of the People's Republic of China) on 16 November 2013", families having at least one parent who was single child were permitted to have the second child. According to "2014 China Maternal & Baby Industry E-commerce Report" issued by iResearch, the new two-child policy will generate a mini baby boom, and consequently there will be the golden time of maternal and baby industry. As such, we are of the view that such policy will also stimulate the demand for GBHK Products in the PRC in the coming years.

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- (c) Based on our review of the Annual Reports and the discussion with the Group and GCHL Group, we understand that both the Group and GCHL Group have been focusing on the development of safety car seat market in light of the large potential in the PRC market. We noted from the 2014 Annual Report that the Group's revenue derived from car seats and accessories increased significantly by approximately 197.4% to approximately HK\$1,747.6 million for the year ended 31 December 2014 from approximately HK\$587.6 million for the year ended 31 December 2013, attributable to the increase in demand for car seats and accessories as well as the acquisition of CYBEX, which is the world's leading high-end child car seat brand, in early 2014. In addition, the Group has further announced the acquisition of Evenflo in June 2014 to further strengthen its current product mix and equip itself with the world-class child car seat design and manufacturing capability. As advised by the Company, the Group has commenced promotional campaign of car seats under the abovementioned newly acquired brands in the PRC.

- In fact, we noted several policies in connection with the mandatory requirement of use of car seat in different municipality in the PRC have been issued in recent years. According to the policy issued by 《上海市未成年人保護條例(2014版)》 (Shanghai Regulations on the Protection of Minors (2014 Edition)) in December 2013 which is effective from 1 March 2014, it is mandatorily required that children under 12 years old cannot be arranged sitting in the co-pilot seat and children under 4 years old should be properly equipped with the child safety car seats. In addition, similar policy has also been implemented in Shandong and Shenzhen on 1 August 2014 and 1 January 2015 respectively. Taken into account the aforesaid favourable government policy in connection with the car seat market, the enhancement of the Group's product mix of car seats and the recent growth in the Group's revenue derived from car seats and accessories, we concur with the Company's view that the growth of safety car seats could be an additional driver to the sales of GBHK Products as a result of the continual demand in the coming years. Based on the Frost & Sullivan Report, the retail sales value of car seats was RMB0.21 billion during 2010 and has further increased to RMB0.59 billion in 2014, representing a CAGR of approximately 29.47%. It is expected that the strong growth in the car seat segment will sustain in the following years and the retail sales is estimated to increase to RMB1.75 billion in 2019, representing a CAGR of 24.29% from 2014 to 2019.

Having considered the above factors including, among others, (i) the substantial historical growth of sales of the Group's products to GCHL Group (through GCCL) under the 2013 GCCL Master Supply Agreement; (ii) GCHL Group's business development strategy of increasing the number of self-operated stores and setting up omni-channel sales platform which includes multiple online and offline sales networks; (iii) the strong projected growth of each of the sales value of durable juvenile products as well as the online shopping in the PRC according to the relevant research report stated above; and (iv) the wider scope of products offering of GBHK as compared to GCPC as well as GCHL's larger and more extensive retail channels than those of GCCL, we consider that the bases and assumptions in arriving the estimated growth rate and the transaction amount of GBHK's sales to GCHL as well as the Annual Caps for the financial year 2016, 2017 and 2018 are justifiable.

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Coupled with the (i) favourable policies to the industry, including the nation-wide new two-child policy and the mandatory requirement of using child safety car seat issued in certain regions in the PRC; (ii) the historical growth of and the projected market demand of child strollers and safety car seats in the PRC; and (iii) wider scope of product offerings of GBHK as compared to that of GCPC, we are of the view that the Annual Caps are fair and reasonable.

5. Annual Review of the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) and confirm in the annual report and accounts that the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) :
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the GCHL Master Supply Agreement and the transactions contemplated thereunder; and
 - (iv) have exceeded the Annual Caps;

LETTER FROM GF CAPITAL

- (c) the Company must allow, and ensure that the counterparties to the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the GCHL Master Supply Agreement and the transactions contemplated thereunder as set out in paragraph (b);
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) , in particular, (i) the restriction of the value of the GCHL Master Supply Agreement and the transactions contemplated thereunder by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the transactions and assist to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the entering into of the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the GCHL Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,
For and on behalf of
GF Capital (Hong Kong) Limited
Brian Lee
Managing Director

Mr. Brian Lee is a licensed person registered with the Securities and Futures Commission as a responsible officer of GF Capital (Hong Kong) Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in advising corporate finance transactions including giving independent financial advisory opinion on connected transactions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of Shareholding
Mr. Song Zhenghuan (<i>Note 2</i>)	Beneficiary of a trust/ beneficial owner	260,390,000 (L)	23.52%
Mr. Martin Pos	Beneficial owner	53,512,000 (L)	4.83%
Mr. Wang Haiye	Beneficial owner	2,400,000 (L)	0.22%
Mr. Michael Nan Qu	Beneficial owner	2,400,000 (L)	0.22%
Mr. Ho Kwok Yin, Eric	Beneficial owner	1,000,000 (L)	0.09%
Mr. Iain Ferguson Bruce	Beneficial owner	800,000 (L)	0.07%
Mr. Shi Xiaoguang	Beneficial owner	800,000 (L)	0.07%
Ms. Chiang Yun	Beneficial owner	800,000 (L)	0.07%

Notes:

- (1) The letter “L” denotes the person’s long position in such Shares.
- (2) Mr. Song is a discretionary beneficiary of a trust of which Credit Suisse Trust Limited is the trustee. See note 2 of the section headed “Interests of substantial shareholders” below for further details of this interest.
- (3) On 29 September 2014, 1,390,000 Share Options were granted to Mr. Song, 2,400,000 Share Options were granted to each of Mr. Wang, Mr. Pos and Mr. Qu, 1,000,000 Share Options were granted to Mr. Ho and 800,000 Shares Options were granted to each of Mr. Bruce, Mr. Shi and Ms. Chiang under the share option scheme adopted by the Company on 5 November 2010. In this connection, each of the directors is deemed to have an interest in the underlying shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, Shareholders (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name	Capacity	Number of Shares	Percentage of Shareholding
PUD(<i>Note 2</i>)	Beneficial owner	259,000,000 (L)	23.40%
Cayey Enterprises Limited (<i>Note 2</i>)	Interest of controlled corporation	259,000,000 (L)	23.40%
Credit Suisse Trust Limited (<i>Note 2</i>)	Trustee	259,000,000 (L)	23.40%
Grappa Holdings Limited (<i>Note 2</i>)	Interest of controlled corporation	259,000,000 (L)	23.40%
Ms. Fu Jingqiu (“ Ms. Fu ”) (<i>Note 2, 3</i>)	Settlor/beneficiary of a trust/beneficial owner	260,390,000 (L)	23.52%
Pioneer Investments Management Limited	Investment Manager	142,710,000 (L)	12.90%
FIL Limited	Investment manager	99,381,000 (L)	8.98%
Pioneer Asset Management S.A.	Investment manager	99,222,000 (L)	8.96%
GIC Private Limited (formerly known as Government of Singapore Investment Corporation Pte Ltd)	Investment manager	76,673,000 (L)	6.93%
The Capital Group Companies, Inc. (<i>Note 4</i>)	Interest of controlled corporation	76,647,000 (L)	6.92%

Notes:

(1) The letter “L” denotes the person’s long position in such Shares.

- (2) PUD is owned as to approximately 51.19% by Cayey Enterprises Limited, which in turn is, as at 30 June 2015, wholly owned by Grappa Holdings Limited the issued share capital of which is owned as to 50% by Seletar Limited and as to 50% by Serangoon Limited, as nominees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of the Grappa Trust. The beneficiaries of the Grappa Trust include Mr. Song, Ms. Fu and family members of Mr. Song and Ms. Fu. The Grappa Trust is a revocable discretionary trust established under the laws of Singapore.
- (3) On 29 September 2014, Ms. Fu was granted 1,390,000 Share Options under the share option scheme adopted by the Company on 5 November 2010. Ms. Fu is deemed to have an interest in the 1,390,000 underlying Shares of the Company within the meaning of the SFO.
- (4) The Capital Group Companies, Inc holds a 100% shareholding interest in Capital Group International, Inc. ("CGII") whereas CGII holds a 100% shareholding interest in each of Capital Guardian Trust Company, Capital International, Inc., Capital International Limited and Capital International Sarl and consequently, each of them is deemed to be interested in 76,647,000 shares.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group which does not expire or which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), subject to retirement by rotation and re-election pursuant to the articles of association of the Company and the Listing Rules.

4. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

6. EXPERT'S QUALIFICATIONS AND CONSENTS

GF Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the expert or professional adviser who has given its opinion or advice contained in this circular:

Name	Qualification
GF Capital (Hong Kong) Limited	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, GF Capital did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 30 June 2015, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 30 June 2015, being the date to which the latest published audited accounts of the Group were made up, and up to the Latest Practicable Date.
- (b) Save for the GCHL Master Supply Agreement, none of the Directors was materially interested in any contract, save the service contracts, or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The company secretary of the Company is Ms. Ho Siu Pik. Ms. Ho is a Chartered Secretary and a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a holder of the Practitioner's Endorsement from The Hong Kong Institute of Chartered Secretaries.

- (d) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (e) The principal place of business of the Company in Hong Kong is at Room 2001, 20th Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (f) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.
- (g) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 2001, 20th Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the GCHL Master Supply Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 17 and 18 of this circular;
- (c) the letter from GF Capital, the text of which is set out on pages 19 to 33 of this circular;
- (d) the consent letter of GF Capital referred to in the section headed "Expert's Qualifications and Consents" in this appendix; and
- (e) this circular.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of Goodbaby International Holdings Limited (the “**Company**”) will be held at 35/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 20 November 2015 at 10:00 am to consider and, if thought fit, to pass with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the master supply agreement dated 7 October 2015 entered into between Goodbaby (Hong Kong) Limited and 好孩子中國控股有限公司 (Goodbaby (China) Holdings Limited*) (the “**GCHL Master Supply Agreement**”) and the transactions contemplated thereunder (as defined in the circular of the Company dated 5 November 2015 (the “**Circular**”)) as set out in the Circular be and are hereby approved and confirmed; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the GCHL Master Supply Agreement and the transactions contemplated hereunder.”

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

Hong Kong, 5 November 2015

** For identification purpose only*

Notes:

1. The above at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

NOTICE OF EGM

2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
5. As at the date of this circular, the executive Directors are Mr. SONG Zhenghuan, Mr. WANG Haiye, Mr. Michael Nan QU and Mr. Martin POS; the non-executive Director is Mr. HO Kwok Yin, Eric; and the independent non-executive Directors are Mr. Iain Ferguson BRUCE, Mr. SHI Xiaoguang and Ms. CHIANG Yun.

This circular ("Circular") (in both English and Chinese versions) has been posted on the Company's website at www.gbinternational.com.hk. Shareholders who have chosen to receive the Company's Corporate Communications (including but not limited to annual report, summary financial report (where applicable), interim report, summary interim report (where applicable), notice of meeting, listing document, circular and proxy form) via the Company's website and for any reason have difficulty in gaining access to the Circular posted on the Company's website will promptly upon request be sent by post the Circular in printed form free of charge. Shareholders may at any time change their choice of means of receipt and language of the Corporate Communications.

Shareholders may request for printed copy of the Circular or change their choice of means of receipt and language of the Corporate Communications by sending reasonable notice in writing to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by sending an email to goodbaby.ecom@computershare.com.hk.

Shareholders who have chosen to receive the Company's Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this Circular since both languages are bound together into one booklet.