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## **Goodbaby International Holdings Limited**

**好孩子國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1086)**

### **CONTINUING CONNECTED TRANSACTION — REVISION OF ANNUAL CAPS**

Reference is made to the prospectus of the Company dated 11 November 2010 in respect of the supply of Products from the Group to GCCL.

As the aggregate amount of Products purchased by GCCL from GCPC for the two years ending 31 December 2012 may exceed the original projection, the Board has resolved to revise the annual caps for the two years ending 31 December 2012. Accordingly, a Supplemental Agreement to the GCCL Supply Agreement was entered into between GCPC and GCCL on 16 November 2011, pursuant to which the proposed new annual caps for each of the two years ending 31 December 2012 is RMB310,643,000 (or approximately HK\$381,860,000) and RMB406,943,000 (or approximately HK\$500,237,000), respectively.

Save for the New Annual Caps, the other terms of the GCCL Supply Agreement remain unchanged.

GCCL is an indirect wholly owned subsidiary of G-Baby Holdings Limited, which in turn is held as to approximately 36.1% by CRF Enterprise, a substantial shareholder of the Company, and as to approximately 63.9% by companies ultimately controlled by the Chairman and his spouse, including PUD, another substantial shareholder of the Company. Accordingly, GCCL is an associate of the Chairman and CRF Enterprise under the Listing Rules and thus is regarded as a connected person of the Company under the Listing Rules.

Given that the applicable percentage ratios (except the profits ratio) under Chapter 14 of the Listing Rules in respect of each of the New Annual Caps under the Supplemental Agreement exceed 5%, the Company is required to re-comply with the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in relation to the Supplemental Agreement and the transactions contemplated thereunder.

The Independent Board Committee will be established to advise the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder. PUD and CRF Enterprise and their respective associates shall abstain from voting on the proposed resolution approving the Supplemental Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, information on the New Annual Caps under the Supplemental Agreement, the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder, a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder and the notice for the EGM to approve the Supplemental Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 5 December 2011.

## **BACKGROUND**

Reference is made to the prospectus of the Company dated 11 November 2010 in respect of the supply of Products from the Group to GCCL.

On 8 November 2010, GCPC entered into the GCCL Supply Agreement with GCCL for a period commencing from 24 November 2010 and ending on 31 December 2012, pursuant to which GCPC agreed to supply the Products to GCCL for domestic sales. This serves as an additional sales channel for the Group's Products. The availability of this additional sales channel enables the Group to extend the reach of its Products as GCCL has a wide retail network in the PRC.

## **ANNUAL CAPS**

For each of the three years ended 31 December 2010 and for the six months ended 30 June 2011, the amount of Products purchased by GCCL from GCPC were HK\$360,885,847, HK\$263,357,823, HK\$267,525,000 and HK\$181,585,000, respectively.

The original annual caps under the GCCL Supply Agreement for each of the three years ending 31 December 2012 amounted to approximately HK\$288,800,000, HK\$320,700,000 and HK\$356,200,000, respectively. The Directors confirm that the annual caps under the GCCL Supply Agreement for the year ending 31 December 2011 has not been exceeded up to the date of this announcement.

As the aggregate amount of Products purchased by GCCL for the two years ending 31 December 2012 may exceed the original projection, the Board has approved the revised annual caps for the two years ending 31 December 2012. Accordingly, a Supplemental Agreement to the GCCL Supply Agreement was entered into between GCPC and GCCL on 16 November 2011, pursuant to which the proposed new annual caps for each of the two years ending 31 December 2012 is RMB310,643,000 (or approximately HK\$381,860,000) and RMB406,943,000 (or approximately HK\$500,237,000), respectively.

Save for the New Annual Caps, the other terms of the GCCL Supply Agreement remain unchanged, including the payment terms such as the transaction amount for the Products under the GCCL Supply Agreement being payable by GCCL to GCPC not later than 90 days from the date of invoice.

#### **BASIS FOR THE NEW ANNUAL CAPS**

The New Annual Caps were determined based on the following factors:

- (i) increase in demand for Products by GCCL mainly due to the fast expansion of GCCL's retail outlets in 2011 and the launch of its internet shopping sales channel in 2011 and such channel's rapid development since then. GCCL has rapidly expanded its distribution network and coverage in the PRC in 2011, leading to a greater demand for the Products. Apart from the internet shopping sales channel, GCCL sells the Products mainly via department stores, hypermarkets, and self-operated maternity and childcare specialty stores, the number of which has increased by approximately 22.5%. GCCL's sales channels for the Products was relatively stable in 2010, and rapidly developed in 2011; and
- (ii) the appreciation of the RMB against the HK\$, due to the New Annual Caps being denominated in RMB as compared to HK\$ for the original annual caps under the GCCL Supply Agreement. As the sale of Products from GCPC to GCCL is denominated in RMB, the appreciation of the RMB against the HK\$ has led to an increase in the HK\$ amount of Products sold to GCCL for the same RMB amount of Products sold to GCCL.

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

## **INFORMATION ON THE GROUP, GCPC AND GCCL**

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

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

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

## **LISTING RULES IMPLICATIONS**

GCCL is an indirect wholly owned subsidiary of G-Baby Holdings Limited, which in turn is held as to approximately 36.1% by CRF Enterprise, a substantial shareholder of the Company, and as to approximately 63.9% by companies ultimately controlled by the Chairman and his spouse, including PUD, another substantial shareholder of the Company. Accordingly, GCCL is an associate of the Chairman and CRF Enterprise under the Listing Rules and thus is regarded as a connected person of the Company under the Listing Rules.

Given that the applicable percentage ratios (except the profits ratio) under Chapter 14 of the Listing Rules in respect of each of the New Annual Caps under the Supplemental Agreement exceed 5%, the Company is required to re-comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in relation to the Supplemental Agreement and the transactions contemplated thereunder.

The Independent Board Committee will be established to advise the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder. PUD and CRF Enterprise and their respective associates shall abstain from voting on the proposed resolution approving the Supplemental Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, information on the New Annual Caps under the Supplemental Agreement, the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder, a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder and the notice for the EGM to approve the Supplemental Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 5 December 2011.

## **DEFINITIONS**

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

“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which banks are open for business in Hong Kong and the PRC;
“Chairman”	Mr. Song Zhenghuan, the Company’s chairman, chief executive officer and executive Director;
“Company”	Goodbaby International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“CRF Enterprise”	CRF Enterprise Limited, a limited liability company incorporated in the British Virgin Islands holding 39.6% interests in the Company as at the date of this announcement;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting to be convened to approve the Supplemental Agreement and the transactions contemplated thereunder (including the New Annual Caps);
“GCCL”	Goodbaby China Commercial Co., Ltd.* (好孩子(中國)商貿有限公司), a wholly foreign-owned enterprise established in the PRC;

“GCCL Supply Agreement”	the supply agreement entered into between GCPC and GCCL dated 8 November 2010 pursuant to which GCPC agreed to supply the Products to GCCL for domestic sales;
“GCPC”	Goodbaby Child Products Co., Ltd.* (好孩子兒童用品有限公司), a wholly foreign-owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors to be appointed by the Board to advise the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	independent shareholders of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Annual Caps”	the proposed new annual caps under the Supplemental Agreement of RMB310,643,000 (or approximately HK\$381,860,000) and RMB406,943,000 (or approximately HK\$500,237,000) for each of the two years ending 31 December 2012, respectively;
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macao Special Administrative Region for the purpose of this announcement;
“Products”	strollers, children’s car safety seats, cribs, children’s bicycles and other durable juvenile products;
“PUD”	Pacific United Developments Limited, a private limited company incorporated in the British Virgin Islands holding 25.9% interests in the Company;

“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	ordinary shares of nominal value HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Supplemental Agreement”	the supplemental agreement entered into between GCPC and GCCL dated 16 November 2011 pursuant to which the original annual caps under the GCCL Supply Agreement are revised to the New Annual Caps;
“%”	per cent.

\* *For identification purpose only*

*For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.000000 to HK\$1.229256. This conversion is provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB or HK\$ can be converted at the above rate or any other rates or at all.*

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

Hong Kong, 16 November 2011

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