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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 your 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 Holdings Limited

好孩子國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1086)

RENEWAL OF CONTINUING CONNECTED TRANSACTION

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



A letter from the Board is set out on pages 4 to 11 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 12 to 13 of this circular. A letter from GF Capital (Hong Kong) Limited, 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 14 to 24 of this circular.

A notice convening the EGM of the Company to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 7 December 2012 at 10:00 a.m. is set out on pages 31 to 32 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).

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 Shops 1712-1716, 17th 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 if they so wish.

19 November 2012

CONTENTS

Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	12
Letter from GF Capital	14
Appendix I — General Information	25
Notice of EGM	31

DEFINITIONS

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

“Board”	the board of Directors;
“Chairman”	Mr. Song Zhenghuan, the Company’s chairman, chief executive officer and executive Director;
“Company”	Goodbaby International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting to be convened at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 7 December 2012 at 10:00 a.m. for the Independent Shareholders to consider and if thought fit, approve the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps), or any adjournment thereof;
“GCCL”	好孩子(中國)商貿有限公司(Goodbaby China Commercial Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC;
“GCCL Supply Agreement”	the supply agreement entered into between GCPC and GCCL dated 8 November 2010 and amended by a supplemental agreement dated 16 November 2011 pursuant to which GCPC agreed to supply the Products to GCCL for domestic sales;
“GCPC”	好孩子兒童用品有限公司(Goodbaby Child Products Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps);

DEFINITIONS

“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 the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps);
“Independent Shareholders”	independent shareholders of the Company;
“Latest Practicable Date”	14 November 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Annual Caps”	the proposed new annual caps under the Renewed GCCL Supply Agreement of RMB630,762,000 (or approximately HK\$775,845,000), RMB977,680,000 (or approximately HK\$1,202,558,000) and RMB1,466,521,000 (or approximately HK\$1,803,839,000) for each of the three years ending 31 December 2015, respectively;
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macao Special Administrative Region for the purpose of this circular;
“Products”	strollers, children’s car seats, cribs, children’s bicycles and other durable juvenile products;
“PUD”	Pacific United Developments Limited, a private limited company incorporated in the British Virgin Islands holding 25.9% interests in the Company as at the Latest Practicable Date;
“Renewed GCCL Supply Agreement”	the agreement entered into between GCPC and GCCL dated 29 October 2012 pursuant to which, inter alia, GCPC will supply the Products to GCCL for a period of three years commencing on 1 January 2013 to 31 December 2015;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	ordinary shares of nominal value HK\$0.01 each in the capital of the Company;

DEFINITIONS

“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

* *For identification purpose only*

For the purpose of this circular, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.0000000 to HK\$1.2300123. This conversion is provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB or HK\$ can be converted at the above rate or any other rates or at all.

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:

Mr. SONG Zhenghuan

(Chairman and Chief Executive Officer)

Mr. WANG Haiye

(Vice President)

Non-executive Directors:

Mr. Christopher Marcus GRADEL

Ms. CHIANG Yun

Independent Non-executive Directors:

Mr. Iain Ferguson BRUCE

Mr. LONG Yongtu

Mr. SHI Xiaoguang

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Head Office:

28 East Lufeng Road

Lujia Town, Kunshan City

Jiangsu Province, 215331

People's Republic of China

Principal Place of Business in Hong Kong:

Room 2001, 20th Floor

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

19 November 2012

To the Shareholders

Dear Sir/Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 29 October 2012 in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps).

LETTER FROM THE BOARD

The purpose of this circular is to:

- (a) provide you with further information relating to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps);
- (b) set out the recommendation of the Independent Board Committee relating to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps);
- (c) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders relating to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps); and
- (d) give you notice of the EGM to consider and, if thought fit, to approve the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps).

RENEWED GCCL SUPPLY AGREEMENT AND NEW ANNUAL CAPS

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

As the GCCL Supply Agreement will expire on 31 December 2012, GCPC entered into the Renewed GCCL Supply Agreement with GCCL on 29 October 2012, pursuant to which GCPC will supply the Products to GCCL for a further period of three years commencing on 1 January 2013 to 31 December 2015 subject to the New Annual Caps. This allows the Group to continue the use of GCCL's retail channels for the Products. The availability of such sales channels enables the Group to extend the reach of the Products as GCCL has a wide retail network in the PRC. The Group primarily sells its products in the PRC to distributors, who in turn distribute the products to end consumers through retail outlets. GCCL is one of the major distributors of the Group for domestic sales. As stated in the Company's 2011 Annual Report and the 2012 Interim Report, for each of the two years ended 31 December 2011 and the six months ended 30 June 2012, the sales of the Products to GCCL accounted for approximately 13.0%, 37.4% and 32.3% of the Group's revenue derived from the PRC market respectively.

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

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

LETTER FROM THE BOARD

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

Save for the New Annual Caps, the extension of the supply of the Products till 31 December 2015 and the below-mentioned payment terms, the other terms of the GCCL Supply Agreement remain unchanged: (i) the transaction amount for the Products being payable by GCCL to GCPC not later than 90 days from the date of invoice under the GCCL Supply Agreement has been amended by the Renewed GCCL Supply Agreement to not later than 120 days, and (ii) GCCL agreed to provide GCPC with a bank guarantee to guarantee the payment of any outstanding amount payable by GCCL to GCPC at any time during the term of the Renewed GCCL Supply Agreement.

PRINCIPAL TERMS OF THE GCCL SUPPLY AGREEMENT

Date:	8 November 2010 and amended by a supplemental agreement dated 16 November 2011
Parties:	GCPC and GCCL
Nature of transaction:	Supply of Products by GCPC to GCCL for sales in the PRC
Term:	24 November 2010 to 31 December 2012, to be renewed to 31 December 2015 pursuant to the Renewed GCCL Supply Agreement
Pricing policy:	Prevailing market rate
Settlement term:	Within 90 days from the date of invoice, to be amended to 120 days pursuant to the Renewed GCCL Supply Agreement
Delivery term:	Upon GCPC's receipt of specific purchase orders from GCCL, GCCL will either collect such Products from GCPC's warehouse or GCPC will deliver such Products to GCCL's warehouse within three business days.
Termination:	Three months notice by GCPC to GCCL
Renewal:	Three months notice prior to expiry by GCPC to GCCL

The Group typically allows a payment term of not later than 90 days to its customers. Save for GCCL, GCPC's customers for the Products are primarily small distributors with relatively limited sales network. Such customers are not comparable to GCCL in terms of revenue contribution to the Group, creditworthiness, and strategic importance to the Group's development.

LETTER FROM THE BOARD

GCCL is a leading juvenile products distributor and retailer in the PRC and is operating extensive distribution channels including internet shopping sales channel and a nation-wide retail network in the PRC. GCCL's distribution network covers 31 provinces, autonomous regions and municipalities in the PRC with coverage of approximately 4,000 self-operated retail outlets, including standalone stores, counters in hypermarkets and department stores. As GCCL is a major distributor of the Group and the revenue from sales of the Products to GCCL accounted for approximately 32.3% of the Group's revenue arising from the PRC market for the six months ended 30 June 2012, the aforesaid extension of payment term under the Renewed GCCL Supply Agreement will support the growth and expansion of the distribution channels of GCCL, 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 extension of credit terms from 90 days to 120 days under the Renewed GCCL Supply Agreement is fair and reasonable and under normal commercial terms.

BASIS FOR THE NEW ANNUAL CAPS

The New Annual Caps were determined based on the expected increase in demand for the Products by GCCL driven by the projected expansion of GCCL's distribution network and coverage in the PRC for the three years ending 31 December 2015 and the expected rapid development of its internet shopping sales channel which was launched in 2011. The business plan of GCCL for the three years ending 31 December 2015 includes: (i) to establish department stores sales channel in third-tier cities, such as Changshu, Jiangsu province, Guangshui, Hubei province and Lanxi, Zhejiang province to extend the sale of the Products by GCCL to those cities; (ii) to further establish strategic cooperation relationship with new nation-wide distributors; and (iii) to grow and further establish its internet shopping sales channel to promote cross-sale to existing customers and attract new customers where traditional sales channel may not cover.

Due to the strong brand awareness of the Group in the third-tier cities and the increased purchasing power in the third-tier cities, the Group intends to promote the sales of its Products in the third-tier cities by leveraging the extensive and established distribution and retail network of GCCL. For the above reasons, the Directors are optimistic about the expansion plan of the Products in the third-tier cities.

The projected growth in the sales of Products through the online channel is one of the key drivers for the increased demand for the Products from the Group. GCCL commenced its internet shopping sales business in 2011 which has been developing rapidly. The amount of sales of Products by GCCL through the online channel in 2012 is expected to increase by approximately 60% as compared to 2011. Its internet shopping sales are conducted through various channels, including but not limited to GCCL's proprietary web page and various e-commerce platforms such as Tmall. It is expected that internet shopping sales revenue of GCCL will grow significantly in the coming three years.

As set out in the Company's 2012 Interim Report, in the first half of 2012, the Group's revenue in the PRC market was approximately HK\$732.2 million, representing an increase of approximately 34.1% as compared to that of the corresponding period of 2011. As a percentage of total revenue of the Group, the Group's revenue derived from the PRC market increased to approximately 31.7% in the first half of 2012 as compared to approximately 27.7% in the first half of 2011. The growth of domestic sales

LETTER FROM THE BOARD

of the Products has been in line with the continual expansion of the distribution network of GCCL. Therefore, the Directors expect that the expected significant expansion of GCCL's distribution network in the PRC would lead to a considerable increase in the demand of the Products and hence an increase in annual caps for the coming few years.

FURTHER DETAILS OF THE SALES MECHANISM TO GCCL

The Group requires GCCL to sell and/or requires GCCL to instruct or require its retailers to sell the Products to consumers at the Group's suggested retail price. During the two years ended 31 December 2011 and the nine months ended 30 September 2012, the Group was not aware of any violation by GCCL of the Group's pricing policy with respect to the Products. The Group attempts to closely monitor its distributors' (including GCCL's) pricing policies by inspection of sales invoices and records in relation to distributions to retailers and random checks of prices at retail outlets. Pursuant to the GCCL Supply Agreement, GCCL has agreed not to distribute Products which may compete with the Group in the market.

The relationship between the Company and GCCL is that of seller/buyer. The Group accepts returns of its Products from GCCL only if there are quality defects or damaged packages. During the two years ended 31 December 2011 and the nine months ended 30 September 2012, there was no return of the Products from GCCL. Based on the GCCL Supply Agreement, if GCCL wishes to return Products based on quality defects or damaged packages, on the premise that both parties have no disagreement on these quality defects or damaged packages and reasons thereof, GCCL can return Products within ten days after delivery of the Products and the sums refunded shall be directly deducted from the amounts due to GCPC by GCCL after the return of Products.

With respect to inventory levels at the Group's distributors (including GCCL), the Group's personnel conducts both scheduled and random inspections on the inventory level. The Group also seeks to monitor the retail outlets by maintaining close relationships with the operators of such outlets and monitoring their inventory and sales performance. The Group's personnel inspect retail outlet displays from time to time and perform analysis on the sales of the Group's products sold in retail outlets. The Group's distributors visit the retail outlets from time to time to obtain information pertaining to the sales and inventory performance of the Group's products at these retail outlets and provides the Group with such information.

Turnover days on amount due from GCCL for the two years ended 31 December 2011 was 103.1 and 95.1, respectively. An aged analysis of the amounts due from GCCL based on the invoice date for the two years ended 31 December 2011 is as follows:

	2010 (RMB'000)	2011 (RMB'000)
Within 30 days	25,355	56,164
31 to 60 days	20,004	7,937
61 to 90 days	<u>18,926</u>	<u>32,802</u>
	<u>64,285</u>	<u>96,903</u>

LETTER FROM THE BOARD

During the two years ended 31 December 2011, GCCL has been in compliance with its payment obligations under the GCCL Supply Agreement.

INFORMATION ON THE GROUP, GCPC AND GCCL

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

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

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

LISTING RULES IMPLICATIONS

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

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

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps). The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps).

Messrs. Song Zhenghuan, Wang Haiye, Christopher Marcus Gradel and Ms. Chiang Yun have material interests in the said transactions and therefore all of them have abstained from voting on the board resolution for approving the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps).

EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 31 to 32 of this circular.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules. PUD and its respective associates

LETTER FROM THE BOARD

holding approximately 25.9% interests in Shares altogether as at the Latest Practicable Date shall abstain from voting on the proposed resolution approving the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) at the EGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the other Shareholders will be required to abstain from voting at the EGM to approve the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps).

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 the Stock Exchange (www.hkexnews.hk) and the Company (www.gbinternational.com.hk). 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 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 Shops 1712-1716, 17th 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 if you so wish.

GENERAL INFORMATION

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

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 12 to 13 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolution to approve the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps); and (ii) the letter from GF Capital set out on pages 14 to 24 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 Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps).

The Independent Board Committee, having taken into account the advice of GF Capital, the Independent Financial Adviser, considers that the terms of the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) 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 Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps).

LETTER FROM THE BOARD

The Board considers that the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) are fair and reasonable so far as the Shareholders are concerned and are in the 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 Zhenguan
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 regarding the Renewed GCCL 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)

19 November 2012

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 19 November 2012 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalized 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 Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) 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 14 to 24 of the Circular and the letter from the Board as set out on pages 4 to 11 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the information set out in the letter from the Board, the terms and conditions of the Renewed GCCL 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 Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) 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 and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) 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. Long Yongtu
*Independent Non-executive
Director*

Mr. Shi Xiaoguang
*Independent Non-executive
Director*

LETTER FROM GF CAPITAL

The following is the full text of the letter of advice from GF Capital (Hong Kong) Limited to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.



Suites 2301-5 & 2313, COSCO Tower
183 Queen's Road Central
Hong Kong

19 November 2012

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

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps), details of which, among other things, are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 19 November 2012 (the “**Circular**”) of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular, unless the context requires otherwise.

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

Given that the applicable percentage ratios (except the profit ratio) under Chapter 14 of the Listing Rules in respect of each of the New Annual Caps under the Renewed GCCL Supply Agreement exceed 5%, the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. PUD and its respective associates shall abstain from voting on the proposed resolution approving the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) at the EGM.

LETTER FROM GF CAPITAL

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Iain Ferguson Bruce, Mr. Long Yongtu and Mr. Shi Xiaoguang, has been established to advise the Independent Shareholders in respect of the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps).

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the entering into of the Renewed GCCL Supply Agreement is in the ordinary and usual course of business of the Company and on normal commercial terms; and whether the terms of the Renewed GCCL Supply Agreement and the New Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, statements, opinions and representations provided to us by the Company, its representatives, its management (the “**Management**”) and the Directors for which they are solely and wholly responsible and we 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 continue to be true, accurate and complete as at the date of the Circular.

We have assumed that all statements of belief, opinion and intention made by the Company, its representatives, the Management and the Directors as set out in the Circular were reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. The Directors 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 prospectus of the Company dated 11 November 2010 (the “**Prospectus**”), the GCCL Supply Agreement (including the supplemental agreement dated 16 November 2011), the announcement of the Company dated 29 October 2012 in relation to the Renewed GCCL Supply Agreement, the annual report of the Company for the year ended 31 December 2011 (“**2011 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2012 (“**2012 Interim Report**”). 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 as aforesaid and to provide reasonable grounds for our advice. In addition, we have no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the Directors. We, however, have not conducted any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor we have carried out any independent verification of the information supplied.

LETTER FROM GF CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Renewed GCCL Supply Agreement and the New Annual Caps, we have considered the following principal factors and reasons:

1. Information on the Group and GCPC

The Group is principally engaged in the design, research and development, manufacture, marketing and sale of strollers, children's car seats, cribs, bicycles and tricycles, and other durable juvenile products. GCPC, an indirect wholly owned subsidiary of the Company, is principally engaged in the manufacture and sale of the Products.

2. Information on GCCL

As set out in the Prospectus, as part of the pre-IPO reorganization process of the Group, GCCL was established in 2010 to take over all of the GCPC's business involving the development, manufacturing and sale of non-durable juvenile products, as well as the distribution and retail business in the PRC. GCCL is principally engaged in the retail and distribution of juvenile products including both durable and non-durable juvenile products and household appliances.

As stated in the Letter from the Board, GCCL is a leading distributor and retailer of juvenile products in the PRC. GCCL has a well established distribution and retail network which covers 31 provinces, autonomous regions and municipalities in the PRC with coverage of approximately 4,000 self-operated retail outlets, including standalone stores, counters in hypermarkets and department stores. In 2011, GCCL launched its self-operated internet shopping sales channel which has been developing rapidly since then.

3. Reasons for and benefits of entering into of the Renewed GCCL Supply Agreement

GCPC entered into a supply agreement with GCCL on 8 November 2010, which was then amended by a supplemental agreement dated 16 November 2011, together, the "**GCCL Supply Agreement**", pursuant to which GCPC agreed to supply the Products to GCCL for domestic sales for the period commencing from 24 November 2010 and ending on 31 December 2012. As the current term of the GCCL Supply Agreement will expire on 31 December 2012, GCPC entered into the Renewed GCCL Supply Agreement with GCCL on 29 October 2012, pursuant to which GCPC will supply the Products to GCCL for a further period of three years commencing on 1 January 2013 to 31 December 2015 subject to the New Annual Caps.

As stated in the Letter from the Board, the Directors considered that the entering into of the Renewed GCCL Supply Agreement allows the Group to continue the use of GCCL's retail channels for the Products. The availability of such sales channels enables the Group to extend the reach of the Products as GCCL has a wide retail network in the PRC.

LETTER FROM GF CAPITAL

Besides, the Group primarily sells its products in the PRC to distributors, who in turn distribute the products to end consumers through retail outlets. GCCL is one of the major distributors of the Group for domestic sales. We noted from the 2011 Annual Report and the 2012 Interim Report that, for each of the two years ended 31 December 2011 and the six months ended 30 June 2012, the sales of the Products to GCCL accounted for approximately 13.0%, 37.4% and 32.3% of the Group's revenue derived from the PRC market respectively.

Having considered (i) GCCL is the Group's largest distributor for domestic market in the PRC and represented a significant portion of the Group's revenue from the PRC market; and (ii) the long-term strategic business relationship between the Group and GCCL in the PRC sales market which has been expanding considerably over the years, we concur with the view of the Directors that the entering into of the Renewed GCCL Supply Agreement would allow the Group to continue leveraging on the extensive distribution channels and wide retail network which GCCL is operating in the PRC, which is beneficial to the Group.

Based on the above factors, we are of the view that the entering into of the Renewed GCCL Supply Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole.

4. Principal terms of the Renewed GCCL Supply Agreement

(i) Payment term

Pursuant to the Renewed GCCL Supply Agreement, the payment term for the Products has been amended from not later than 90 days to not later than 120 days from the date of invoice (the "**Renewed Payment Term**").

To assess the fairness and reasonableness of the Renewed Payment Term under the Renewed GCCL Supply Agreement, we have taken into consideration of the following factors:

- (a) as stated in the Letter from the Board, GCCL is a leading juvenile products distributor and retailer in the PRC and is operating an extensive distribution channels including internet shopping sales channel and a nation-wide retail network in the PRC. GCCL's distribution network covers 31 provinces, autonomous regions and municipalities in the PRC with coverage of approximately 4,000 self-operated retail outlets, including standalone stores, counters in hypermarkets and department stores. With such an established distribution network which has been expanding rapidly and is difficult to be replicated by other distributors, we concur with the Management that GCCL is a valuable customer of the Group and has a strong bargaining power on the terms of the Renewed GCCL Supply Agreement;

LETTER FROM GF CAPITAL

- (b) GCCL is a major distributor of the Group and the revenue from sales of the Products to GCCL accounted for approximately 32.3% of the Group's revenue arising from the PRC market for the six months ended 30 June 2012. The extension of payment term under the Renewed GCCL Supply Agreement would further support the growth and expansion of the distribution channels of GCCL, which in turn would benefit the Group's revenue growth and future development;
- (c) although a longer payment term is granted by GCPC to GCCL under the Renewed GCCL Supply Agreement, GCCL agreed to provide GCPC with a bank guarantee to guarantee the payment of any outstanding amount payable by GCCL to GCPC at any time during the term of the Renewed GCCL Supply Agreement (the "**Bank Guarantee**"). Therefore, in the event GCCL fails to pay in 120 days from the date of invoice as stated in the Renewed GCCL Supply Agreement, the Bank Guarantee would help to control and reduce the credit risk exposure of the Group under the Renewed Payment Term. Besides, as stated in the Letter from the Board, during the two years ended 31 December 2011, we note that GCCL has been in compliance with its payment obligations under the GCCL Supply Agreement. In this regard, we consider the Bank Guarantee and the Renewed Payment Term are in the interests of the Group and the Shareholders as a whole; and
- (d) we have reviewed the 2011 Annual Report and noted that the Group normally allows a payment term of not later than 90 days to its trade customers for 2010 and 2011, which is 30 days shorter than the payment term of not later than 120 days under the Renewed GCCL Supply Agreement. Based on the information provided by the Management, we note that for the two years ended 31 December 2011 and the six months ended 30 June 2012, the second largest distributor of the Group accounted for only 3.5%, 3.4% and 2.9%, respectively, of the Group's revenue arising from the PRC market, which is far below that of GCCL. As stated in the Letter from the Board, save for GCCL, GCPC's customers for the Products are primarily small distributors with relatively limited sales network. The Management considers that these customers are not comparable to GCCL in terms of revenue contribution to the Group, creditworthiness, and strategic importance to the Group's development.

Having considered the above and that the Renewed Payment Term (including the Bank Guarantee) was determined through arm's length negotiation between GCCL and the Group, we are of the view that the Renewed Payment Term (including the Bank Guarantee) is commercially justifiable.

(ii) Pricing and other major terms

The purchase price of the Products payable by GCCL to GCPC under the Renewed GCCL Supply Agreement is determined based on prevailing market rate.

As disclosed in the Prospectus, we note that the Group has adopted a suggested retail price system that is applied nationwide to all retail outlets operated by the Group's distributors and third-party retailers to maintain the Group's brand image and avoid excessive competition among the Group's distributors and third-party retailers.

Pursuant to the GCCL Supply Agreement, the purchase price of the Products is determined based on a rate of discount to the Product's suggested retail prices. The rate of discount varies amongst the Group's distributors (including GCCL) depending on, among others, the size of order and the location of the distributors.

LETTER FROM GF CAPITAL

In order to assess the fairness and reasonableness of the rate of discount for the Products set by the GCPC, we were given to understand that the rate of discount for the Products are arrived at after arm's length negotiation between GCPC and GCCL. Besides, we have also reviewed the distributorship agreements entered into between GCPC and independent third parties of the Group on a sample basis and note that the rate of discount offered to those independent distributors were comparable with those offered to GCCL under the GCCL Supply Agreement.

The Renewed GCCL Supply Agreement stipulates that all terms (including, the pricing basis for the Products) shall be fair and reasonable, and not more favourable than terms available to comparable independent third parties of the Group.

Save for the New Annual Caps, the duration, the Renewed Payment Term (including the Bank Guarantee), we noted that all other terms of the Renewed GCCL Supply Agreement are the same as the GCCL Supply Agreement.

Besides, we have reviewed the distributorship agreements entered into by the GCPC and independent third parties of the Group on a sample basis and noted that the major terms offered to those independent distributors were comparable with the terms offered to GCCL under the Renewed GCCL Supply Agreement.

Having considered the above, we consider that the terms of the Renewed GCCL Supply Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

5. The New Annual Caps

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

The table below illustrates the original annual caps and the historical transaction amounts relating to the GCCL Supply Agreement, the Renewed GCCL Supply Agreement and the proposed New Annual Caps:

Transaction	Year ended 31 December		Year ending 31 December					Unit: '000
	2011		2012		2013	2014	2015	
	Annual cap	Actual Amounts	Annual cap	Actual amounts (for the nine months ended 30 September 2012)	New Annual Cap	New Annual Cap	New Annual Cap	
Supply of the Products to GCCL								
Sales	RMB310,643 (Approximately HK\$381,860)	RMB309,956 (Approximately HK\$374,384)	RMB406,943 (Approximately HK\$500,237)	RMB270,215 (Approximately HK\$331,868)	RMB630,762 (approximately HK\$775,845)	RMB977,680 (approximately HK\$1,202,558)	RMB1,466,521 (approximately HK\$1,803,839)	
% of utilization		98.0%		66.4%				
% of increase			31.0% ¹		55.0% ²	55.0% ³	50.0% ⁴	

LETTER FROM GF CAPITAL

Notes:

1. The percentage increase in the 2012 Annual Cap is with reference to the 2011 Annual Cap.
2. The percentage increase in the 2013 New Annual Cap is with reference to the 2012 Annual Cap.
3. The percentage increase in the 2014 New Annual Cap is with reference to the 2013 New Annual Cap.
4. The percentage increase in the 2015 New Annual Cap is with reference to the 2014 New Annual Cap.

In order to assess the fairness and reasonableness of the New Annual Caps, we have taken into consideration the following factors:

- (i) the proposed New Annual Caps for each of the three years ending 31 December 2015 are the estimated amount of purchase of the Products provided by GCCL for each of the year concerned after taking into consideration its business plan.

As part of our due diligence exercise, we have obtained a copy of the above-mentioned business plan prepared by GCCL, which formulated its projected expansion of the distribution network and coverage in the PRC for the sale of the Products for the three years ending 31 December 2015. As advised by the Management, the projected growth of the sale of Products has been basically construed with reference to such plan, which in turn determines the demand for the Products by GCCL for the three years ending 31 December 2015 under the Renewed GCCL Supply Agreement.

Based on the business plan of GCCL and our discussion with the Management, we were given to understand that (a) the sale of Products by GCCL will be extended to third-tier cities, such as Changshu, Jiangsu province, Guangshui, Hubei province and Lanxi, Zhejiang province due to the expansion of GCCL's department stores sales channel in those cities; (b) the strategic cooperation between GCCL and new nation-wide distributors will be further established and the depth of distribution network would greatly increase; and (c) the amount of sales of Products by GCCL through the internet shopping sales channel to new customers where traditional sales channel may not cover and cross-sale to existing customers is expected to grow rapidly in the coming years.

In order to assess the reasonableness and fairness of the projections and assumptions adopted in the business plan, we have (i) interviewed with the senior management of GCCL and have discussed with him regarding the projections and assumptions adopted in the business plan, including among the others, the expected expansion of GCCL's department stores sales channel and the expected sale of Products through the internet shopping sales channel; and (ii) have also discussed with the senior management of GCCL regarding the implementation details of its business plan and we were given to understand that GCCL is committed to implement its business plan in the coming three years, with the main focus on expanding its sales and marketing team.

As stated in the Letter from the Board, due to the strong brand awareness of the Group in the third-tier cities, the Group intends to promote the sales of its Products in the third-tier

LETTER FROM GF CAPITAL

cities by leveraging the extensive and established distribution and retail network of GCCL. According to the 《中國嬰童用品消費調查報告2011-2012》(Market Survey on the Juvenile Products in the PRC 2011-2012) issued by 中國玩具和嬰童用品協會 (China Toy & Juvenile Products Association), an independent association approved by the State-owned Assets Supervision and Administration Commission of the State Council and relevant authorities in the PRC, in May 2012, we note from the market survey that the brand awareness of “好孩子Goodbaby” brand was ranked at the top among all stroller brands for both the first (70%), second (67%) and third tier cities (62%) in the PRC. Besides, with reference to the statistics shown in the official websites of the third tier cities in the PRC, we note that the per capita disposable income of those third-tier cities as mentioned above, has been increasing in the past few years. For instance, the per capita disposable income of Changshu, Jiangsu province achieved rapid growth from RMB12,373 in 2003 to RMB35,041 in 2011, representing a compound annual growth rate of approximately 13.9%. Due to the burgeoning demand arising from increase purchasing power in the third tier cities, the Directors consider that they are optimistic about the expansion plan of the Products in the third-tier cities.

We noted from the business plan of GCCL that the projected growth in the sales of Products through the online channel is one of the key drivers for the increased demand for the Products from the Group. GCCL commenced its internet shopping sales business in 2011 which has been developing rapidly. Its internet shopping sales are conducted through various channels, including but not limited to GCCL’s proprietary web page and various e-commerce platforms such as Tmall. According to the internet shopping sales projection provided by GCCL prepared by an e-commerce strategic consultant engaged by GCCL, internet shopping sales revenue of GCCL is estimated to grow significantly in the coming three years.

According to the statistic report issued by 中國互聯網網絡信息中心 (China Internet Network Information Center) in July 2012 that, as at 30 June 2012, the size of internet shopping users reached approximately 210 million, representing an approximately 8.2% increase as compared with that as at 31 December 2011. Besides, according to the research conducted by iResearch, an independent marketing research consultancy firm, in July 2012, we note that the sales amounts of internet shopping in the PRC is expected to reach approximately RMB268.4 billion for the second quarter of 2012, representing an approximately 17.6% increase as compared with that of the first quarter of 2012 and an approximately 51.6% increase as compared with that the second quarter of 2011, respectively. We further note from such research that the growth of internet shopping activities is further promoted in the PRC as a result of the continual rapid growth of business-to-consumer (B2C).

Besides, we have obtained the sales agreements, on a sample basis, entered into between GCCL and the new major B2C internet stores in the PRC in 2012. As advised by the Management, through the cooperation with the new major B2C internet stores, it is expected that the sales of the Products through the internet shopping channel would be greatly increased in the coming three years.

LETTER FROM GF CAPITAL

Having considered the above, we concur with the view of the Management that the projections and assumptions adopted in GCCL's business plan are fair and reasonable so far as the Independent Shareholders are concerned;

- (ii) taken into account of the Twelfth Five-Year Plan stipulated by the Chinese government, which aims to boost the domestic consumption as well as the fast growing channel of durable juvenile products in the PRC in the recent years, we consider the industry growth trend of the Company in the PRC is positive;
- (iii) according to 中華人民共和國國家統計局(National Bureau of Statistics of China), the total urban population in the PRC increased from 562 million at the end of 2005 to 669 million at the end of 2010, representing a compound annual growth rate of approximately 3.75%. During the same period, the population of babies from new born to fourteen years old slightly decreased from 20.3% to 16.6%. As depicted from the table above, we note that the percentage increase in the New Annual Cap for each of the three years ending 31 December 2015 are 55.0%, 55.0% and 50.0% respectively. Despite the relatively low historical growth birth rates in the PRC, due to the expected expansion in the new market, such as those third-tier cities and the introduction of new products in the existing retail outlets, we concur with the view of the Management that the historical birth rates in the PRC was not the major factor in determining the New Annual Caps for each of the three years ending 31 December 2015. Besides, having considered the effect of Dragon Year in 2012, the baby and children's population in the PRC is expected to increase in the coming three years; and
- (iv) as set out in the 2012 Interim Report, in the first half of 2012, the Group's revenue in the PRC market was approximately HK\$732.2 million, representing an increase of approximately 34.1% as compared to that of the corresponding period of 2011. As a percentage of total revenue of the Group, the Group's revenue derived from the PRC market increased to approximately 31.7% in the first half of 2012 as compared to approximately 27.7% in the first half of 2011. The growth of domestic sales of the Products has been in line with the continual expansion of the distribution network of GCCL. Therefore, the Management expects that the expected significant expansion of GCCL's distribution network in the PRC would lead to a considerable increase in the demand of the Products and hence an increase in annual caps for the coming few years.

After taking into account of the above factors, in particular that the New Annual Caps are determined based on the expected increase in demand for the Products estimated by GCCL which is driven by the projected expansion of GCCL's distribution network and coverage in the PRC for the three years ending 31 December 2015 and the expected rapid development of its internet shopping sales channel which was launched in 2011, we consider that the bases of determining the New Annual Caps are justifiable and that the New Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Nonetheless, the Independent Shareholders and potential investors should note that the New Annual Caps should not be construed as an assurance or forecast by the Group of its future revenue.

LETTER FROM GF CAPITAL

LISTING RULES' IMPLICATIONS

The Renewed GCCL Supply Agreement, the New Annual Caps and any transactions contemplated thereunder are subject to the annual review requirements of Rule 14A.37 to 14A.40 of the Listing Rules. According to the 2011 Annual Report, the independent non-executive Directors have confirmed that the continuing connected transactions for the year ended 31 December 2011 have been entered into:

- in the ordinary and usual course of the business of the Group;
- either (a) on normal commercial terms or; (b) where there is no available comparable terms, on terms no less favourable to the Group than terms available to or from independent third parties; and
- in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Furthermore, according to the 2011 Annual Report, the Company's auditors have provided a letter to the Board confirming that the continuing connected transactions for the year ended 31 December 2011:

- have been approved by the Directors;
- were entered into in accordance with the pricing policies of the Company;
- were entered into in accordance with the terms of the relevant agreements governing such transactions; and
- did not exceed the annual cap amounts.

Given the above, we consider that the annual review requirements can provide appropriate measures to govern the Company in carrying out the Renewed GCCL Supply Agreement and safeguard the interests of the Shareholders thereunder.

LETTER FROM GF CAPITAL

RECOMMENDATION

Having considered the principal reasons and factors discussed above, we are of the view that the entering into of the Renewed GCCL Supply Agreement is in the ordinary and usual course of business of the Company and on normal commercial terms; and that the terms of the Renewed GCCL Supply Agreement and the New Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps).

For and on behalf of

GF Capital (Hong Kong) Limited

Danny Wan

*Managing Director and
Head of Corporate Finance*

Brian Lee

Deputy Managing Director

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	259,000,000 (L)	25.9%

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.

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
Pacific United Developments Limited	Beneficial owner	259,000,000 (L)	25.90%
Cayey Enterprises Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	25.90%
Credit Suisse Trust Limited (Note 2)	Trustee	259,000,000 (L)	25.90%
Grappa Holdings Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	25.90%
Ms. Fu Jingqiu (“Ms. Fu”) (Note 2)	Settlor/beneficiary of a trust	259,000,000 (L)	25.90%
Deutsche Bank Aktiengesellschaft	Beneficial owner	127,223 (L) 5,858 (S)	0.01% 0%
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	129,827,362 (L)	12.98%
ARCH Media Investment Limited (Note 3)	Beneficial owner	119,978,362 (L)	11.99%
ARC Capital Holdings Limited (Note 3)	Interest of controlled corporation	119,978,362 (L)	11.99%
ARC Capital Partners Limited (Note 4)	Investment manager	119,978,362 (L)	11.99%
Pacific Alliance Equity Partners Limited (Note 5)	Interest of controlled corporation	119,978,362 (L)	11.99%
Pacific Alliance Investment Management Limited (Note 6)	Interest of controlled corporation	119,978,362 (L)	11.99%
Pacific Alliance Group Limited (Note 7)	Interest of controlled corporation	119,978,362 (L)	11.99%

Name	Capacity	Number of Shares	Percentage of Shareholding
PAG Holdings Limited (Note 8)	Interest of controlled corporation	119,978,362 (L)	11.99%
Shepherd Investments International Ltd. (Note 9)	Beneficial owner	109,943,507 (L)	10.99%
Stark Brian Jay (Note 10)	Investment manager	109,943,507 (L)	10.99%
Stark Offshore Management LLC (Note 10)	Investment manager	109,943,507 (L)	10.99%
The Capital Group Companies, Inc. (Note 11)	Interest of controlled corporation	70,371,000 (L)	7.04%
Government of Singapore Investment Corporation Pte Ltd	Investment manager	50,683,000 (L)	5.07%

Notes:

- (1) The letter “L” denotes the person’s long position in such Shares.
- (2) Pacific United Developments Limited is owned as to approximately 45.39% by Cayey Enterprises Limited, which in turn is, as at the Latest Practicable Date, 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) ARCH Media Investment Limited (“ARCH Media”) is wholly owned by ARC Capital Holdings Limited (“ARCH”) and consequently ARCH is deemed to be interested in 119,978,362 Shares.
- (4) ARCH is an investment fund the shares of which are managed by ARC Capital Partners Limited (“ACP”), which has the right to exercise the voting rights attached to ARCH’s holding of shares in ARCH Media and consequently ACP is deemed to be interested in 119,978,362 Shares.
- (5) Pacific Alliance Equity Partners Limited (“PAEP”) holds a 100% shareholding interest in ACP and is therefore deemed to be interested in 119,978,362 Shares.
- (6) Pacific Alliance Investment Management Limited (“PAIM”) holds a 61.8% shareholding interest in PAEP and is therefore deemed to be interested in 119,978,362 Shares.
- (7) Pacific Alliance Group Limited (“PAG”) holds a 90% shareholding interest in PAIM and is therefore deemed to be interested in 119,978,362 Shares.
- (8) PAG Holdings Limited holds 99.17% shareholding interest in PAG and is therefore deemed to be interested in 119,978,362 Shares.

- (9) Shepherd Investments International Ltd. holds a 100% shareholding interest in Shepherd Performance Fund Ltd (“SPF”) and SPF holds a 100% shareholding interest in Stark Arch Ltd.

- (10) Stark Brian Jay holds a 75% shareholding interest in Stark Offshore Management LLC and is therefore deemed to be interested in 109,943,507 Shares.

- (11) 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 70,371,000 Shares.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 2011, 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 31 December 2011, 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 31 December 2011, 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 GCCL Supply Agreement and the Renewed GCCL 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. Pau Lai Mei. Ms. Pau is a Chartered Secretary and a fellow member of both The Institute of Chartered Secretaries and Administrators and 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 GCCL Supply Agreement;
- (b) the Renewed GCCL Supply Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 12 and 13 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 14 to 24 of this circular;
- (e) the consent letter of the Independent Financial Adviser referred to in the section headed "Expert's Qualifications and Consents" in this appendix; and
- (f) 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, 7 December 2012 at 10:00 a.m. to consider and, if thought fit, to pass with or without amendments, the following resolution as an ordinary resolution:

1. “THAT:

- (a) the agreement entered into between 好孩子兒童用品有限公司 (Goodbaby Child Products Co., Ltd.*) and 好孩子(中國)商貿有限公司 (Goodbaby China Commercial Co., Ltd.*) dated 29 October 2012 (the “**Renewed GCCL Supply Agreement**”) and the transactions contemplated thereunder (including the New Annual Caps) (as defined in the circular of the Company dated 19 November 2012 (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 authorized 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 Renewed GCCL Supply Agreement and the transactions contemplated thereunder (including the New Annual Caps) contemplated thereby.”

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

Hong Kong, 19 November 2012

** For identification purpose only*

Notes:

- 1. The above resolution 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”) and 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 member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and on a poll, vote instead of him. A proxy need not be a member of the Company.
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 Shops 1712-1716, 17th 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 member 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. As at the date of this circular, the board of directors of the Company comprises two executive Directors, Mr. Song Zhenghuan and Mr. Wang Haiye; and two non-executive Directors, Mr. Christopher Marcus Gradel and Ms. Chiang Yun; and three independent non-executive Directors, Mr. Iain Ferguson Bruce, Mr. Long Yongtu and Mr. Shi Xiaoguang.

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 Shops 1712-1716, 17th 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.