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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)

(1) DISCLOSEABLE TRANSACTION
(2) ISSUE OF SHARES UNDER GENERAL MANDATE
AND
(3) RESUMPTION OF TRADING

On 27 January 2014, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Sellers pursuant to which the Purchaser has agreed to acquire the Sale Shares from the Sellers at a consideration of EUR70,711,539 (equivalent to approximately HK\$751,069,681), to be settled in cash as to the amount of EUR38,513,000 (equivalent to approximately HK\$409,069,681) and by the issue of 100,000,000 new Shares to the Sellers as to the amount of EUR32,198,539 (equivalent to approximately HK\$342,000,000).

The Consideration Shares will be issued to the Sellers pursuant to the General Mandate and represent approximately 9.95% of the existing issued share capital of the Company and approximately 9.05% of the issued share capital of the Company as enlarged by the full issue of the Consideration Shares. The issue price of the Consideration Shares was set at the closing price of the Shares as at the date of the Sale and Purchase Agreement of HK\$3.42 per Share. The issue price represents a discount of approximately 5.42% to the average of the closing price of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the date of the Sale and Purchase Agreement of approximately HK\$3.616 per Share.

The Sale Shares represent the entire issued share capital of the Target. The Target Group is a branded juvenile Company headquartered in Germany primarily engaged in the design and sale of juvenile products with branches in Austria, the United Kingdom, France, Italy, the Netherlands and PRC. The Acquisition would allow the Company to establish a direct distribution network in continental Europe and expand the Group's product portfolio to include premium child safety car seats, and enable the Company to own a premium brand.

As the applicable ratios as set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are over 5% but below 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Rule 14.33 of the Listing Rules.

Trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 28 January 2014 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 1:00 p.m. on 28 January 2014.

THE SALE AND PURCHASE AGREEMENT

Date 27 January 2014

Parties

- (1) the Purchaser, a wholly-owned subsidiary of the Company; and
- (2) the Sellers.

The Sellers are four individuals and two corporate entities. To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, the Sellers (and in the case of the two sellers that are corporate entities, their ultimate beneficial owners) are independent of and not connected with the Company and its connected persons.

Subject matter

The Purchaser has agreed to acquire from the Sellers the Sale Shares. The Sale Shares represent the entire issued share capital in the Target.

Consideration

The consideration for the acquisition of the Sale Shares is EUR70,711,539 (equivalent to approximately HK\$751,069,681). It will be settled (a) as to EUR38,513,000 (equivalent to approximately HK\$409,069,681) in cash, and (b) as to approximately EUR32,198,539 (equivalent to approximately HK\$342,000,000) by the issue of the Consideration Shares to be issued to the Sellers.

The consideration was determined after arm's length negotiations between the parties after taking into consideration the Target is well established in Europe with a recognized brand name and could assist the Group in establishing a direct distribution network in Europe, and the synergy of the Target's products in expanding the Group's product portfolio. The cash consideration for the acquisition of the Sale Shares will be funded by bank borrowings and will be payable at Completion.

The Consideration Shares represent approximately 9.95% of the existing issued share capital of the Company and approximately 9.05% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The issue price of the Consideration Shares was set at the closing price of the Shares as at the date of the Sale and Purchase Agreement of HK\$3.42 per Share. The issue price represents a discount of approximately 5.42% to the average of the closing price of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the date of the Sale and Purchase Agreement of approximately HK\$3.616 per Share. The Consideration Shares have an aggregate nominal value of HK\$1,000,000, and a current market value of HK\$342,000,000, based on the closing price of HK\$3.42 per Share as at the date of the Sale and Purchase Agreement.

The Consideration Shares will be issued to the Sellers as follows:

- (a) 95,460,700 of the Consideration Shares will be allotted and issued to the Sellers at Completion; and
- (b) if there have been no claims against the Sellers pursuant to the terms of the Sale and Purchase Agreement, 4,539,300 Consideration Shares (the "**Deferred Shares**") will be allotted and issued to the Sellers on the date which is 18 months following the date of Completion (the "**Deferred Shares Release Date**").

The number of Deferred Shares issued to the Sellers may be reduced if the Purchaser makes a successful claim against the Sellers (or any one of them) pursuant to the Sale and Purchase Agreement.

The Sellers will not be permitted to sell or otherwise transfer the Consideration Shares for a period of one year following the date of Completion, save in certain limited circumstances. Beginning on the expiry of the one year lock-up period, each Seller will be entitled to sell or otherwise transfer no more than 20% of the number of Consideration Shares held by such Seller in each one year period thereafter.

The Consideration Shares will be issued pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 24 May 2013, where the Directors were granted a general mandate to allot and issue up to 200,511,400 Shares. Up to the date of this announcement, no Shares have been issued under the General Mandate and upon completion of the issue of the Consideration Shares, the Company has 100,511,400 Shares available for allotment and issue under the General Mandate. The Company has not issued any securities to raise fund in the twelve months immediately preceding the date of this announcement.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Effect on shareholding of the Company as a result of the issue of the Consideration Shares

The following chart briefly summarises the possible effects of the issue of the Consideration Shares on the shareholding structure of the Company, assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to Completion and the Deferred Shares Release Date.

Shareholder	As at the date of this announcement		Upon issue of 95,460,700 of the Consideration Shares at Completion		Upon issue of the Consideration Shares (Note 1)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Pacific United Developments Limited	259,000,000	25.76%	259,000,000	23.53%	259,000,000	23.43%
the Sellers:						
- Mr. Martin Pos	—	—	48,791,873	4.43%	51,112,000	4.62%
- Mr. Matthias Steinacker	—	—	4,895,225	0.45%	5,128,000	0.46%
- Mr. Stefan Hüber	—	—	484,940	0.04%	508,000	0.04%
- Mr. Mankil Cho	—	—	5,601,634	0.51%	5,868,000	0.53%
- Dritte AFM Beteiligungs GmbH	—	—	17,843,514	1.62%	18,692,000	1.70%
- Vierte AFM Beteiligungs GmbH	—	—	17,843,514	1.62%	18,692,000	1.70%
	—	—	95,460,700	8.67%	100,000,000	9.05%
						(Note 2)
Other Shareholders	<u>746,439,000</u>	<u>74.24%</u>	<u>746,439,000</u>	<u>67.80%</u>	<u>746,439,000</u>	<u>67.52%</u>
Total	<u>1,005,439,000</u>	<u>100.00%</u>	<u>1,100,899,700</u>	<u>100.00%</u>	<u>1,105,439,000</u>	<u>100.00%</u>

Notes:

1. It is assumed that there is no deduction of the number of the Consideration Shares that have been held back as at the Deferred Shares Release Date.
2. None of the Sellers will individually hold 5% or more of the issued share capital of the Company.

Conditions precedent

Completion of the acquisition of the Sale Shares is conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;
- (b) no material adverse effect to the business, assets, properties, prospects or financial position of the Target Group having occurred between the date of the Sale and Purchase Agreement and the date of Completion;
- (c) no material adverse effect to the business, assets, properties, prospects or financial position of the Group having occurred between the date of the Sale and Purchase Agreement and Completion;
- (d) the fundamental warranties as set out in the Sale and Purchase Agreement being true and correct in all respects as at the date of Completion;
- (e) no dividend, other distribution or payment (save for salary payments, benefits and reimbursements to Mr. Martin Pos and Mr. Matthias Steinacker (and Mrs. Bohumila Pos and Martin Pos junior, who are both relatives of Mr. Martin Pos in accordance with the terms of their existing service contracts with a company of the Target Group at the date of this Agreement) having been made by the Target to any Seller or any of their affiliates or connected persons since 30 September 2013;
- (f) the warranty of the Purchaser with respect to the Consideration Shares under the Sale and Purchase Agreement being true and correct in all respects as at the date of Completion;
- (g) the Sellers having materially complied with their obligations under certain clauses of the Sale and Purchase Agreement or having remedied any breaches of such obligations (if capable of being remedied) as at the date of Completion; and

- (h) no governmental authority or trade union or works council having:
 - (i) instituted or threatened in writing to institute any legal action or proceedings to restrain, prohibit or otherwise challenge completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement; or
 - (ii) proposed or enacted any statute or regulation which would prohibit, materially restrict or materially delay completion of the sale and purchase of the Sale Shares.

The Purchaser may waive all or any of the conditions set out in paragraphs (b), (d), (e), and (g). The Purchaser has no present intention in waiving any of the conditions to the Sale and Purchase Agreement. The Sellers may waive all or either of the conditions set out in paragraphs (c) and (g). If the conditions to the Sale and Purchase Agreement are not fulfilled or waived on or before 20 Business Days following the date of the Sale and Purchase Agreement, the Purchaser in the case of non-fulfillment of conditions (b), (d), (e) (g), or (h), or the Sellers in the case of non-fulfillment of conditions (a), (c), (f) or (h) may, in its or their sole discretion, terminate the Sale and Purchase Agreement.

INFORMATION ON THE TARGET GROUP

Business

Established in 2005, the Target Group is a branded juvenile Company headquartered in Germany primarily engaged in the design and sale of juvenile products with branches in Austria, the United Kingdom, France, Italy, the Netherlands and PRC.

Key products of the Target Group include car seats, baby carriers and strollers. The “CYBEX” brand of car seats of the Target Group is an established brand in Europe and sales from “CYBEX” brand child safety car-seat accounted for approximately 90% of the Target Group’s revenue. The Target Group utilizes a diversified multi-channel distribution network comprising retail stores and on-line retailers to distribute its products.

Financial information

The following information is extracted from the unaudited proforma combined financial statements of the Target Group for the two financial years ended 31 December 2011 and 2012 and was translated into HK\$ at the then exchange rate:

	For the year ended 31 December	
	2011	2012
	HK\$'000	HK\$'000
Profit before taxation	15,487	49,158
Profit after taxation	11,218	44,495

As at 31 December 2012, the Target Group had net assets of approximately HK\$122,456,000.

Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company and the financial results of the companies in the Target Group will be consolidated in the results of the Company.

REASONS FOR THE TRANSACTION

The Group is principally engaged in the design, research and development, manufacture, marketing and sale of juvenile products.

In the PRC market, the Group principally designs, manufactures and sells its products under its self-owned brands, including “gb” and “Happy Dino”, which enjoy wide recognition and reputation as well as leading market share. The Group sells its products through its distribution network which covers distributors, department stores and supermarkets, and maternity and childcare specialty stores strategically located in all parts of the PRC. In the overseas markets, the Group has established strategic partnerships with local distributors and owners of world famous brands, and sells the products under both the own brands of the Group and third-party brands. The European market is one of the key markets for the Group’s products. In 2012, the revenue attributable to the European market was HK\$1,271 million, representing approximately 27.9% of the total revenue of the Group.

The Group is committed to providing safe, innovative, fashionable, easy-to-use strollers and other durable juvenile products across the globe. The Target's marketing-driven premium brand is complementary with the Group's research- and product-driven model and is aligned with the Group's strategy to reinforce its leadership status in the global juvenile products market.

Upon Completion, the Target will become a wholly-owned subsidiary of the Company. The Acquisition would provide the Group with an established direct distribution network in continental Europe and expand the Group's product portfolio to include premium child safety car-seat, thereby further increasing the Group's international business market share, expanding its customer base and therefore increasing profits and the overall shareholder value of the Company.

In recent years, the Group's key development focus is on the car safety seats business. The Target's expertise in this product category will further strengthen the Group's business scale and influence in this area. This will, in turn, enable the Group to capture enormous business opportunities in the rapidly growing car seats market globally.

The Company is of the view that the Acquisition would benefit the Group and further expand the Group's products portfolio, and that the direct distribution network of the Target in Europe will enable the Group to reinforce the Group's presence in Europe, thereby further increasing the Group's brand portfolio especially with the "CYBEX" brand and further expanding the distribution channels for the Group.

In addition, the Group shares the same entrepreneurial spirit and vitality of the Target's team and believes the Target's branding capabilities in the international market will also compliment the Group's management strength. The Group is confident that the Acquisition will drive its international growth and be complementary to its existing business strategy.

The Directors (including the independent non-executive Directors) consider that the Sale and Purchase Agreement has been entered into under normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

GENERAL

As the applicable ratios as set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are over 5% but below 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Rule 14.33 of the Listing Rules.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 28 January 2014 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 1:00 p.m. on 28 January 2014.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless otherwise requires:

“Acquisition”	the acquisition of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement;
“Board”	the board of directors of the Company;
“Company”	Goodbaby International Holdings Limited, a company incorporated in the Cayman Islands, the securities of which are listed on the Stock Exchange;
“Completion”	completion of the acquisition of the Sale Shares;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration Shares”	100,000,000 new Shares to be issued in part settlement of the consideration for the acquisition of the Sale Shares;
“Director(s)”	the director(s) of the Company;
“EUR”	Euro, the currency used by the Institutions of the European Union;
“General Mandate”	the general mandate to allot and issue Shares granted by the Shareholders to the Directors;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Purchaser”	Goodbaby (Hong Kong) Limited, a wholly-owned subsidiary of the Company;
“Sale and Purchase Agreement”	the agreement dated 27 January 2014 between the Purchaser and the Sellers in relation to the acquisition of the Sale Shares by the Purchaser;
“Sale Shares”	shares of the Target, representing the entire issued share capital of the Target;
“Sellers”	collectively: (1) Mr. Martin Pos, (2) Mr. Matthias Steinacker; (3) Mr. Stefan Hüber, (4) Mr. Mankil Cho, (5) Dritte AFM Beteiligungs GmbH, and (6) Vierte AFM Beteiligungs GmbH;
“Shares”	shares of HK\$0.01 each in the share capital of the Company;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target”	Columbus Holding GmbH, a company established in Germany;
“Target Group”	the Target and its subsidiaries at Completion;
“%”	per cent.

For illustration purposes, amounts in EUR in this announcement have been translated into HK\$ at EUR1 = HK\$10.6216.

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

Hong Kong, 28 January 2014

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