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)

MAJOR TRANSACTION

On 6 June 2014, the Company and the Subsidiary, a wholly-owned subsidiary of the Company, entered into the Agreement with the Target, the Holder Parties and WP Administration, LLC, as representative of the Holders, pursuant to which the Company will acquire the Target pursuant to a merger transaction where the Subsidiary will merge with the Target, with the Target surviving the merger in accordance with Delaware Law. The merger consideration payable by the Company for the Acquisition is US$143,041,667 (equivalent to approximately HK$1,108.6 million), subject to adjustment.

The Target is a Delaware corporation which is principally engaged in the manufacture and sale of juvenile and infant durable products. Upon Closing, the Company will own the entire issued share capital of the Target through which the Group will primarily manufacture and distribute infant and juvenile products in North America.

As the applicable ratios as set out in Rule 14.07 of the Listing Rules in respect of the consideration payable by the Company under the Agreement is over 25% but below 100%, the Acquisition constitutes a major transaction for the Company and is subject to the approval of the shareholders under Chapter 14 of the Listing Rules. A circular containing, among others, details of the Agreement and the notice of the EGM will be despatched to the Shareholders in accordance with the requirements of the Listing Rules on or before 27 June 2014.

THE AGREEMENT

Date

6 June 2014

Parties

(1) the Company;

(2) the Subsidiary, a wholly-owned subsidiary of the Company;

(3) the Target;

(4) the Holder Parties; and

(5) WP Administration, LLC, as representative of the Holders.

To the best knowledge of the Directors, having made all reasonable enquiry, each of the Target, the Holder Parties and WP Administration, LLC is independent of and not connected with the Company and its connected persons.

Subject matter

Pursuant to the Agreement, the Subsidiary will be merged with and into the Target at the Effective Time in accordance with the Delaware Law, whereupon the separate existence of the Subsidiary will cease and the Target will be the surviving corporation.

Upon Closing, the Company will own all of the issued share capital in the Target.

Consideration

The aggregate consideration to be paid by the Company in respect of the Acquisition will be an amount equal to US$143,041,667 (equivalent to approximately HK$1,108.6 million), subject to deduction of all transaction expenses related to the Acquisition incurred and paid or payable by the Target since 30 April 2014 and through to Closing (the "Aggregate Merger Consideration"). At the Closing, the Company is required to pay the Aggregate Merger Consideration and pay, or cause to be paid, any transaction expenses of the Target that remain unpaid immediately prior to Closing.

The consideration was determined after arm's length negotiations between the parties with reference to the historical operating and financial performance of the Target and that the Target, as a well-established and highly recognized branded juvenile company in North America, could provide the Group with marketing and distribution capabilities to further develop the Group's global footprints.

The consideration for the Acquisition will be funded by borrowings and internal resources of the Group.

Conditions precedent

1. The obligations of the parties to consummate the Acquisition are subject to the following conditions:

   (a) the passing at a duly convened and held general meeting of the Company of a resolution by a majority of the Shareholders to approve the Acquisition and other arrangements on the terms of the Agreement;

   (b) any applicable waiting period under the HSR Act or any other regulatory laws relating to the transactions contemplated thereby would have expired or been terminated, and all actions required by, or filings required to be made with, any governmental authority under any other regulatory laws in connection with the consummation of the transactions contemplated under the Agreement having been taken or made; and

   (c) no provisions of any applicable law would have been adopted, promulgated or entered by any governmental authority that restrains or prohibits the consummation of the Acquisition or any other transactions contemplated under the Agreement.

2. The obligation of the Company and the Subsidiary to consummate the Acquisition is subject to the satisfaction or waiver of the following further conditions:

   (a) certain fundamental representations and warranties of the Target as provided in the Agreement being true and correct in all material respects as at the date of the Agreement and as at the Effective Time and all other representations and warranties of the Target being true and correct as at the date of the Agreement and as at the Effective Time, except for such failures to be true and correct as would not have, or reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Target;

   (b) the Target having performed in all material respects all of its obligations under the Agreement at or prior to the Effective Time;

   (c) since the date of the Agreement, there have been no effect, change, circumstance or event that, individually or in the aggregate, has or would reasonably be expected to have a material adverse effect on the Target;

   (d) the Company having received a certificate signed by the Chief Executive Officer of the Target to the effect that the conditions in 2(a), (b), and (c) above, have been satisfied;

(e) there is no stockholder of the Target who failed to consent to the Acquisition in writing and who is entitled to demand appraisal for such shares of the capital stock of the Target pursuant to and in compliance in all respects with the Delaware Law;

(f) the options of the Target having been cancelled as contemplated under the Agreement;

(g) the paying agent having received stock certificates together with properly completed transmittal documents from such eligible holders holding at least 60% of the common stock of the Target;

(h) the Company having received evidence of a six year insurance policy in form and substance and amount to the reasonable satisfaction of the Company for the indemnification, advancement of expenses and exculpation of current or former directors and officers of the Target for any events or occurring on or prior to the Effective Time;

(i) the Target having delivered to the Company and the Subsidiary the payoff letters for certain transaction expenses in relation to the Acquisition, executed by each person entitled to such expenses, specifying the amount of expenses payable to such person;

(j) the Company having received the non-solicitation agreements from Weston Presidio V, L.P., the major shareholder of the Target;

(k) the loan and security agreement entered into between Evenflo Company, Inc., a company of the Target Group and Bank of America, N.A. dated 4 December 2012 and the subsequent amendment being in full force and effect and the Target or any of its subsidiaries not being in any default or material breach thereunder;

(l) the Target having provided to the Company a statement under the Foreign Investment in Real Property Tax Act of the US in a form reasonably acceptable to the Company conforming to the applicable requirements of the US Treasury Regulations Sections 1.897-2(h) and 1.1445-2(c) with respect to which the Company having no actual knowledge that such statement is false or receive a notice that the statement is false for purposes of US Treasury Regulations Section 1.1445-4;

(m) each director of the Target having delivered to the Company an acknowledgement of no indemnification claims against the Company or its subsidiaries as of the date of Closing; and

(n) the Company having received a certificate signed by the Chief Executive Officer of the Target to the effect that (i) certain representation and warranties in the Agreement related to payments to Target's stockholders are true and correct in all respects, (ii) that there has been no breach of certain covenants in the Agreement restricting payments to Target stockholders and that (iii) the aggregate amount of all transaction expenses incurred by the Target does not exceed the sum of the amount of transaction expenses deducted in determining the Aggregate Merger Consideration.

3. The obligation of the Target to consummate the Acquisition is subject to the satisfaction or waiver of the following further conditions:

   (a) the representations and warranties of the Company and the Subsidiary in the Agreement being true and correct in all material respects at and as of the date of the Agreement and at and as of the Effective Time;

   (b) the Company and the Subsidiary having performed in all material respects all of their respective obligations under the Agreement at or prior to the Effective Time; and

   (c) the Target having received a certificate signed by an appropriate representative of the Company and the Subsidiary to the effect that the conditions in 3(a) and (b) have been satisfied.

Termination

The Agreement may be terminated at any time prior to Closing:

(a) by mutual written agreement between the Company and the Target;

(b) by either the Company or the Target if the Acquisition has not consummated on or before 8 August 2014;

(c) by either the Company or the Target, if (i) there exist any applicable law that makes the consummation of the Acquisition illegal or (ii) any order has been issued by any governmental authority permanently restraining, enjoining or otherwise prohibiting the Acquisition, and such order being final and non-appealable;

(d) by the Company if either (i) there has been a breach of, or inaccuracy in, any representation or warranty of the Target contained in the Agreement or (ii) the Target has breached or violated any covenant contained in the Agreement, in each case which breach, inaccuracy or violation (A) would result in the failure to satisfy a condition set forth in conditions 2(a) or 2(b) and (B) cannot be or has not been cured by the date which is the earlier of (x) 30 days after the Company notifies the Target of such breach, inaccuracy or violation or (y) 8 August 2014;

(e) by the Target if:

  (i) either (x) there has been a breach of, or inaccuracy in, any representation or warranty of Company or the Subsidiary contained in the Agreement or (y) the Company or the Subsidiary has breached or violated any covenant contained in this Agreement, in each case which breach, inaccuracy or violation (A) would result in the failure to satisfy a condition set forth in conditions 3(a) or 3(b) and (B) cannot be or has not been cured by the date which is 30 days after the Target notifies the Company of such breach, accuracy or violation;

  (ii) the conditions to Closing set forth in conditions 1 and 2 have been satisfied or waived (other than those to be satisfied at Closing) and the Company fails to consummate the transactions contemplated thereby on the date of Closing should have occurred;

(f) by either the Company or the Target if by 1 August 2014, the Company failed to obtain the approval of the Shareholders in accordance with applicable law.

INFORMATION ON THE TARGET

Business

The Target is a company incorporated under the laws of the State of Delaware, the US. Based in Ohio, the US, it manufactures infant and juvenile products under the brands of “Evenflo”, “ExerSaucer”, and “Snugli”. The core products of the Target include a line of car seats, stationary activity centers and safety gates. The Target also produces strollers, high chairs, play yards, doorway jumpers and carriers. Please refer to the website of the Target at http://www.evenflo.com for more information about the Target Group.

Financial information

The following information is extracted from the unaudited financial information of the Target for the two financial years ended 31 December 2012 and 2013:

	For the year ended 31 December			
	2012		2013	
	US$'000	*Equivalent to HK$'000*	*US$'000*	*Equivalent to HK$'000*
Revenue	218,685	1,694,809	208,015	1,612,116
Profit/(loss) before taxation *(Note 1)*	(18,162)	(140,756)	(7,729)	(59,900)
Profit/(loss) after taxation *(Note 1)*	23,129	179,250	(7,500)	(58,125)
EBITDA *(Note 2)*	4,718	36,565	8,915	69,091

	As at 31 December			
	2012		2013	
	US$'000	*Equivalent to HK$'000*	*US$'000*	*Equivalent to HK$'000*
Net assets	37,888	293,632	34,077	264,097
Bank borrowings	—	—	—	—
Cash and cash equivalents	25,272	195,858	19,911	154,310

Notes:

1. The Target disposed of its feeding business and its Mexico subsidiary together with a division involved in sale of breast pumps and accessories in 2012. The financial results above are only related to the continuing operation of the Target. Further details on the financial results of the Target Group will be set out in the circular of the Company.

2. EBITDA, earnings before interest, taxes, depreciation and amortization, is calculated by adding back finance cost, depreciation and amortization to loss before taxation and excluding other gains and losses and restructuring charges.

A breakdown of the revenue from the major products of the Target Group for the year ended 31 December 2013 is set out below:

	Year ended 31 December 2013	
		Equivalent to
	US$'000	*HK$'000*
Car seats	122,740	951,234
Exersaucers	23,209	179,870
Gates	28,538	221,170
Others	33,528	259,842
	208,015	1,612,116

An accountants' report on the Target Group prepared in compliance with the requirements of the Listing Rules will be included in the circular to be despatched to the Shareholders.

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

REASONS FOR THE TRANSACTION

The Group is principally engaged in the design, research and development, manufacturing, marketing and sale of durable 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 department stores, supermarkets, and maternity and childcare specialty stores strategically located in all parts of the PRC , as well as online sales channels. 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 self-owned brands of the Group and third-party brands. North America and Europe are key markets for the Group's products. In 2013, revenues attributable to the North American and European markets were HK$1,127 million and HK$1,015 million respectively, representing approximately 26.9% and 24.2% of the total revenue of the Group. In January 2014, the Group established its direct sales channel to retailers in Europe for its self-own branded products through the successful acquisition of Columbus Holdings GmbH which owns CYBEX, a well-known high-end car seats brand in Europe.

Established in 1920, the Target principally engages in the design, research and development, manufacturing, marketing and sale of juvenile durable products. Its comprehensive product portfolio includes car seats, travel systems, juvenile gates, high chairs, portable baby suite play yards, activity centers, carriers and doorway jumpers. The Target commands high consumer awareness in the mid-end to value segments and its major product segments occupy top market shares in the United States. The Target's products are substantially principally manufactured in Piqua, Ohio, and Tijuana, Mexico, and are sold globally. The Target also has an established and efficient marketing and operational platform in North America, which generates sales direct to retailers such as Wal-Mart, Toys 'R' Us, Target and Amazon.com. The Target's 2013 revenues amounted to approximately US$208 million (equivalent to approximately HK$1,612 million), which was primarily attributable to the US.

The Acquisition aligns with the Group's strategy of reinforcing its leadership status in the global juvenile products market with its own brands while at the same time expanding its resources to support its growing alliances with other major international brands.

Augment brand and product portfolios

The Acquisition allows the Group to further develop its brand portfolio of safe, innovative, fashionable, and easy-to-use juvenile durable products to spread across all price points. The Group's gb and CYBEX brands are already well-established in the mid to high price points segments. The Target's positioning as a mid-end to value brand completes the Group's offerings to service global consumers across all price points. Furthermore, the Group's established product development and manufacturing capabilities in strollers and car seats are complemented by the Target's mature car seat product portfolio and technical and manufacturing expertise. The Acquisition also allows the Group to utilize its research and development capabilities to support the diversity of products under the "Evenflo" brand as well as improve profitability and expand the brand into additional product categories and international markets.

Strengthen manufacturing and distribution capabilities

The Acquisition enables the Group to expand its manufacturing footprint to North America to support the Group's penetration into North America as well as better service its customer brands with a view to minimizing lead times and exposure to increasing trans-oceanic freight rates. The integration of both a China and North America supply chain system will provide the Group with a fully vertical capability with the versatility to respond to market requirements rapidly and efficiently and enhance competitive advantage. The Group can further gain access to the Target's strong relationships with distributors and retailers in North America to complement its existing global capabilities.

Achieve synergies through combination of international platforms

The combination of the Group and the Target creates a truly global player with operational platforms and distribution channels in China, Europe and North America. The acquisition of Target's operational platforms (and the recent acquisition of the Columbus Holdings GmbH) significantly shortens the Group's time to market in Europe and North America, allowing the Group to consolidate global resources, realize selling and administrative savings and achieve infrastructural and logistical efficiencies internationally.

The Group is confident that the Acquisition will complement its existing business strategy, including strengthening strategic partnerships with well-known international brands, driving its international growth, increasing market share, and expand its product portfolio and customer base, thereby increasing profitability for the Group and the overall shareholder value of the Company.

The Directors (including the independent non-executive Directors) consider that the Agreement has been entered into on normal commercial terms, that such terms are fair and reasonable so far as the Company and the Shareholders are concerned, and that the entering into of the Agreement is in the interest 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 consideration payable by the Company under the Agreement is over 25% but below 100%, the Acquisition constitutes a major transaction for the Company and is subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. A circular containing, among others, details of the Agreement and the notice of the EGM will be despatched to the Shareholders in accordance with the requirements of the Listing Rules on or before 27 June 2014.

Pacific United Developments Limited and Mr. Martin Pos, who are interested in 259,000,000 Shares and 48,791,873 Shares, respectively, representing in aggregate approximately 27.96% of the issued share capital of the Company as at the date of this announcement, have undertaken to vote in favour of the resolution to be proposed at the EGM to approve the Agreement.

DEFINITIONS

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

"Acquisition"	the acquisition of the entire issued share capital of the Target through a merger transaction as contemplated under the Agreement;
"Agreement"	the agreement dated 6 June 2014 between the Company, the Subsidiary, the Target, the Holder Parties and WP Administration, LLP, as representative of the Holders;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of directors of the Company;
"Closing"	completion of the Acquisition;
"Company"	Goodbaby International Holdings Limited, a company incorporated in the Cayman Islands, the securities of which are listed on the Stock Exchange;
"Delaware Law"	Delaware General Corporation Law;
"Director(s)"	the director(s) of the Company;
"Effective Time"	the effective time of the merger transaction to be agreed between the Subsidiary and the Target and entered into in the certificate of merger to be filed with the Secretary of State of the State of Delaware in accordance with Delaware Law;
"EGM"	the extraordinary general meeting of the Company to be convened to approve the Agreement;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Holders"	the shareholders and option holders of the Target;

"Holder Parties"	collectively, the shareholders of the Target that have signed on the Agreement on 6 June 2014 and each additional shareholder or option holder of the Target who becomes a party to the Agreement pursuant to a validly executed stockholder letter of transmittal or option holder letter of acknowledgement;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"HSR Act"	the US Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China;
"Shareholder(s)"	shareholders of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiary"	Serena Merger Co., Inc., a wholly-owned subsidiary of the Company;
"Target"	WP Evenflo Group Holdings, Inc.;
"US"	the United States of America;
"US$"	United States dollar, the lawful currency of the United States of America; and
"%"	per cent.

For illustration purposes, amounts in US$ in this announcement have been translated into HK$ at US$1 = HK$7.75.

By Order of the Board
Goodbaby International Holdings Limited
SONG Zhenghuan
Chairman and Chief Executive Officer

Hong Kong, 6 June 2014

As at the date of this announcement, the executive Directors are SONG Zhenghuan, WANG Haiye, Martin POS, Michael Nan QU, the non-executive Director is HO Kwok Yin, Eric, and the independent non-executive Directors are Iain Ferguson BRUCE, SHI Xiaoguang and CHIANG Yun.