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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) MAJOR AND CONNECTED TRANSACTION**
(2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE
(3) APPLICATION FOR WHITEWASH WAIVER
AND
(4) EXEMPTED CONTINUING CONNECTED TRANSACTION

Financial Adviser to the Company

Morgan Stanley

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



SOMERLEY CAPITAL LIMITED

THE ACQUISITION

On 24 July 2017 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase the Sale Share from the Vendor at a consideration of US\$360,000,000 (equivalent to approximately HK\$2,812,176,000), subject to adjustment. The consideration will be satisfied as to US\$120,485,816 (equivalent to approximately HK\$941,187,000) by the payment of the Cash Consideration and as to the balance by the allotment and issue of the Consideration Shares at the Issue Price credited as fully paid.

The Target Group has the following core businesses: (i) the product development, brand management and distribution of leading Self-owned Brands in maternity and baby-care products and apparel products; and (ii) one of the largest retail networks for MBC Products in China, and a leading omni-channel sales platform that provides customers with its Self-owned Brands in maternity and baby-care products, apparel products and the Group's durable juvenile products.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, members of the Concert Group are, in aggregate, interested in (i) 298,033,498 Shares, representing approximately 26.62% of the issued share capital of the Company; and (ii) 17,380,000 Share Options, which together with their interest in 298,033,498 Shares, representing approximately 27.74% of the issued share capital of the Company assuming full exercise of the Share Options, the shareholding as set out below:

- i. PUD holds 259,000,000 Shares, representing approximately 23.13% of the issued share capital of the Company;
- ii. Mr. Martin Pos, an executive Director, holds 39,033,498 Shares, representing approximately 3.49% of the issued share capital of the Company; (Note) and
- iii. members of the Concert Group are interested in an aggregate of 17,380,000 underlying Shares in respect of the Share Options granted to them, representing approximately 1.55% of the issued share capital of the Company, as set out below:

Member of the Concert Group	Number of underlying Shares
Mr. Song	1,390,000
Ms. Fu	1,390,000
Mr. Martin Pos (Note)	2,400,000
Mr. Liu	2,400,000
Mr. Qu	2,400,000
Mr. Wang	2,400,000
Mr. Jan Rezab (Note)	5,000,000

(Note: Each of Mr. Martin Pos and Mr. Jan Rezab is presumed to be acting in concert with PUD under class (6) presumption until Completion. This class (6) presumption will cease to apply after Completion.)

Upon Completion and completion of the Repurchase and the Distribution, as illustrated in the section headed “SHAREHOLDING STRUCTURE” of this announcement, and (i) assuming that none of the Share Options will be exercised, the Concert Group will, in aggregate, be interested in 834,133,498 Shares, representing (a) approximately 74.50% of the issued share capital of the Company as at the date of this announcement; (b) approximately 50.38% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and (ii) assuming that none of the Share Options will be exercised, the Concert Group (excluding the presumed concert party Mr. Martin Pos and Mr. Jan Rezab) will, in aggregate, be interested in 795,100,000 Shares, representing approximately 48.02% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

An application will be made by the Whitewash Applicant to the Executive for the Whitewash Waiver pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code shortly after publication of this announcement. In the absence of the Whitewash Waiver, the Whitewash Applicant would be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Concert Group as a result of the issue of the Consideration Shares, the Repurchase and the Distribution.

The Whitewash Waiver, if granted by the Executive, would be subject to, among other things:

- (i) the approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM by way of poll;
- (ii) the Concert Group not having acquired any voting rights of the Company in the six months prior to the date of this announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements in relation to the Agreement; and
- (iii) the Concert Group not having any acquisitions or disposals of voting rights of the Company between the date of this announcement and the Completion unless with the prior consent of the Executive.

Although the Concert Group will hold more than 50% of the issued share capital of the Company upon Completion, the class (6) presumption with respect to Mr. Martin Pos and Mr. Jan Rezab will cease to apply after Completion and the Concert Group will still be subject to the creeper rule under the Takeovers Code after Completion.

LISTING RULES IMPLICATIONS

The Acquisition

The Vendor is an associate of Mr. Song, who is an executive Director, and hence a connected person of the Company under Chapter 14A of the Listing Rules. As one or more of percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major and connected transaction for the Company which requires the approval of the Independent Shareholders by poll at the EGM.

The License

The License constitutes a continuing connected transaction for the Company under the Listing Rules. As the terms of the License is normal commercial terms or better and will be granted on a royalty-free basis, it falls within the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules and is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

Completion is conditional upon, amongst others, the grant of the Whitewash Waiver to the Whitewash Applicant, and the Independent Shareholders approving the Acquisition and the Whitewash Waiver at the EGM on a vote taken by a poll.

Each member of the Concert Group (to the extent it/he/she owns any Shares as at the date of the EGM) and any other Shareholders who are interested or involved in the Acquisition and/or the Whitewash Waiver shall abstain from voting in respect of the resolutions approving the Acquisition and the Whitewash Waiver at the EGM.

Circular

A circular giving details of, among other (i) further details of the Acquisition and the Whitewash Waiver; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser in relation to the Acquisition and the Whitewash Waiver; and (iv) a notice of the EGM and a form of proxy is expected to be despatched by the Company to the Shareholders on or before 14 August 2017.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to advise the Independent Shareholders on the Acquisition and the Whitewash Waiver.

Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisition and the Whitewash Waiver.

Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent, may or may not complete. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

On 24 July 2017 (after trading hours), the Purchaser (as the purchaser) and the Vendor (as the vendor) entered into the Agreement. The principal terms of the Agreement are set out below.

Subject Matter

The Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Share.

The Sale Share, represents the entire issued share capital of the Target at Completion.

The Target Group has the following core businesses: (i) the product development, brand management and distribution of leading Self-owned Brands in maternity and baby-care products and apparel products; and (ii) one of the largest retail networks for MBC Products in China, a leading omni-channel sales platform provides customers with its Self-owned Brands in maternity and baby-care products, apparel products and the Group's durable juvenile products.

Consideration

The consideration for the Sale Share is US\$360,000,000 (equivalent to approximately HK\$2,812,176,000), subject to the adjustment set out below. It will be satisfied as to US\$120,485,816 (equivalent to approximately HK\$941,187,000) by the payment of the Cash Consideration and as to the balance by the allotment and issue of the Consideration Shares at the Issue Price credited as fully paid.

Adjustment

The consideration is subject to an upward or downward adjustment. The upward adjustment is subject to a cap of US\$36,000,000 (after taking into account the net impact of the adjustments in (i) and (ii) below) whereas the downward adjustment is not subject to any cap. The details of adjustments are:

(i) Debt-free and cash-free adjustment:

- (a) where the amount of the external debt and external debt equivalent of the Target Group as at Completion is higher than the amount of the cash and cash equivalent of the Target Group as at Completion, the consideration shall be reduced by an amount equal to the difference, which is to be settled by the Vendor in cash within 30 Business Days (as defined in the Agreement) after the date of finalizing the Completion Statement; or
- (b) where the amount of the cash and cash equivalent of the Target Group as at Completion is higher than the amount of the external debt and external debt equivalent of the Target Group as at Completion, the consideration shall be increased by an amount equal to the difference, which is to be settled by the Purchaser, in cash within 30 Business Days (as defined in the Agreement) after the date of finalizing the Completion Statement, and

(ii) Working capital adjustment:

- (a) where the Actual Working Capital is lower than the Reference Working Capital, the consideration shall be reduced by an amount equal to the difference, which is to be settled by the Vendor in cash within 30 Business Days (as defined in the Agreement) after the date of finalizing the Completion Statement; or
- (b) where the Actual Working Capital is higher than the Reference Working Capital, the consideration shall be increased by an amount equal to the difference, which is to be settled by the Purchaser in cash within 30 Business Days (as defined in the Agreement) after the date of finalizing the Completion Statement.

Security

The Consideration Shares will be allotted and issued at Completion and settled as follows:

- a) the Consideration Shares, being 536,100,000 new Shares, will be held by the shareholders of the Vendor upon completion of the Repurchase and the Distribution; and
- b) 80,578,109 of the Consideration Shares (the “**Charged Consideration Shares**”), being 10% of the Consideration, will be charged to the Purchaser or its wholly-owned subsidiary by the shareholders of the Vendor (upon completion of the Repurchase and the Distribution) as security to cover any claims the Purchaser may have against the Vendor which is not otherwise settled pursuant to the terms of the Agreement, including any amount payable under the adjustment as set out above. If there were no outstanding claims against the Vendor, the Charged Consideration Shares shall be returned to the shareholders of the Vendor (upon completion of the Repurchase and the Distribution) on the 540th calendar day following the Completion Date.

The Company will not be holding its own Shares. The chargors (that is, PUD, CAEL, SGIL, ROSL and SIML) remain the beneficial owners of the Charged Consideration Shares, and have the right to exercise all voting rights attaching to such Shares, unless and until there is enforcement of security. The ownership in such Shares will not pass to the Company upon enforcement.

Basis of the consideration

The consideration has been determined after arm’s length negotiations between the parties with reference to the prevailing market conditions, the historical operating and financial performance, the growth prospect of the Target Group as well as benchmarking to the relevant peers in similar industry.

The Cash Consideration payable by the Purchaser will be funded from bank loans and internal resources.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will rank *pari passu* in all respects with the Shares in issue at the date of issue including in respect of all dividends and distributions declared, made or paid on or after such date of issue.

The Issue Price

The Issue Price of the Consideration Shares represents:

1. a premium of approximately 6.4% from HK\$3.28, the closing price of the Shares on the Stock Exchange on the Last Trading Date;
2. a premium of approximately 5.1% from HK\$3.32, the average closing price of Shares on the Stock Exchange for the last 5 full trading days up to and including the Last Trading Date;
3. a premium of approximately 4.2% from HK\$3.35, the average closing price of Shares on the Stock Exchange for the last 10 full trading days up to and including the Last Trading Date;
4. a premium of approximately 4.8% from HK\$3.33, the average closing price of Shares on the Stock Exchange for the last 30 full trading days up to and including the Last Trading Date and
5. a premium of approximately 57.2% to the audited net asset value of the Group of approximately HK\$2.22 per Share as at 31 December 2016.

Conditions Precedent

Completion is subject to the fulfillment (or, if applicable, the waiver) of the following conditions:

1. the Executive granting the Whitewash Waiver and the Whitewash Waiver not being revoked or withdrawn;
2. the approval of the Independent Shareholders in the EGM by way of a poll in respect of:
 - (a) the entering into of the Agreement and the performance of all other transactions contemplated under the Agreement;
 - (b) the Specific Mandate in relation to the allotment and issue of the Consideration Shares; and
 - (c) the Whitewash Waiver, each in accordance and in compliance with the Listing Rules and the Takeovers Code;
3. the Listing Committee having granted or having agreed to grant the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange;

4. the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC:
 - (a) approving the transactions contemplated under the Agreement unconditionally or on conditions which do not have any material effect on the business of the Purchaser and/or its subsidiaries and/or the Target Group, or
 - (b) having been deemed under the Anti-Monopoly Law of the PRC to have approved the transactions contemplated under the Agreement upon the expiry of the statutory time periods for review by the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC;
5. the Purchaser having received a signed original legal opinion from a PRC legal advisor addressed to the Purchaser, relating to the due diligence of the Target Group as to PRC law, the good standing, due incorporation and subsistence of the Target Group established in the PRC, the Restructuring and the Licenses in the form reasonably satisfactory to the Purchaser;
6. the deed of acknowledgement and undertaking having been executed by (among others) the relevant Vendor's controlled entities in the form acceptable to the Purchaser and the Vendor pursuant to which each such entity controlled by Mr. Song and Ms. Fu undertakes to cease to use certain trade names if Mr. Song and Ms. Fu cease to control such entity;
 - (a) the Fundamental Warranties remaining true and accurate in all respects and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date; and
 - (b) the Vendor having materially complied with its obligations under the Agreement in respect of its pre-closing obligations or having remedied any breaches of such obligations (if capable of being remedied) as at the Completion Date;
7. the deed of non-competition having been executed by Mr. Song and Ms. Fu in favour of the Purchaser;

8. no notice, order, judgment, action or proceedings of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transactions contemplated by the Agreement or which is reasonably likely to materially and adversely affect the right of the Purchaser to own the legal and beneficial title to the Sale Share, free from encumbrances;
 - (a) the deeds of assignment or transfer for the assignment or transfer (as the case may be) of the Relevant IPR having been executed by the Vendor (or other entities controlled by Mr. Song and/or Ms. Fu) to the Purchaser or other members of the Target Group;
 - (b) the First License in the form acceptable to the Purchaser and the Vendor having been executed by the relevant parties thereto; and
 - (c) the Second License in the form acceptable to the Purchaser and the Vendor having been executed by the relevant parties thereto; and
9. no material adverse change having occurred between the date of the Agreement and the Completion Date subject to certain exception customary to transaction of this nature and size.

The Purchaser or the Vendor, may at any time, waive in whole or in part and conditionally or unconditionally any of the conditions precedent set out above (other than the conditions precedent 1 to 4 above) by notice in writing to the other party.

If the conditions precedent set out above are not satisfied or waived (except that the conditions precedent 1 to 4 above which cannot be waived) on or before the Long-Stop Date, either the Purchaser or the Vendor may (as the case may be), in its sole discretion, terminate the Agreement as long as the terminating party has complied with its obligations in terms of using its reasonable efforts to fulfill the conditions precedent.

Completion

Completion will take place on the fifth business day of the date on which the last of the conditions precedent (other than the conditions precedent which by their terms are to be satisfied at Completion) is satisfied or waived in accordance with the Agreement (or such other date as may be notified by the Purchaser to the Vendor in writing).

THE DISTRIBUTION

At Completion, the Vendor will:

- i. apply the Cash Consideration to repurchase and cancel its shares held by VLVL, WAWA, FTHL and COOP at a commercially agreed repurchase price. Upon completion of such repurchase, the Vendor will be held as to 28.07% by PUD, as to 26.02% by CAEL, as to 24.12% by SGIL, as to 16.37% by ROSL and as to 5.42% by SIML; and
- ii. upon completion of the Repurchase, distribute the Consideration Shares to its shareholders on a pro-rata basis in proportion to their respective shareholding interests. Upon completion of such distribution, the Company will be held as to 24.73% by PUD, as to 8.42% by CAEL, as to 7.81% to SGIL, as to 5.30% by ROSL, and as to 1.76% by SIML.

At Completion, the issue of the Consideration Shares, the Repurchase and the Distribution will take place simultaneously such that the Consideration Shares will be issued directly to PUD, CAEL, SGIL, ROSL and SIML.

The price payable to VLVL, WAWA, FTHL and COOP in the Repurchase will be determined with reference to (i) the value of the number of the Consideration Shares that they would have received in a distribution if the Repurchase had not taken place; and (ii) the value of the remaining business of the Vendor upon Completion. As such, the price payment to VLVL, WAWA, FTHL and COOP in the Repurchase will be higher than the value of the Consideration Shares received by the other shareholders of the Vendor only because the remaining shareholders of the Vendor will retain their interest in the retained business of the Vendor through their respective shareholdings in the Vendor.

THE LICENSE

At Completion, the Purchaser (or its subsidiaries) and the Vendor (or one or more entities controlled by Mr. Song and/or Ms. Fu) shall enter into the License.

The principal terms of the License are set out below.

1) The License

Parties: one or more entities controlled by Mr. Song and/or Ms. Fu
 as the licensor; and

 the Purchaser (or its subsidiary) as the licensee

Term: the period commencing on the Completion Date and ending on the date on which the Purchaser (or its subsidiary) shall become the registered owner of the Relevant IPR

Subject matter: the licensing of the Relevant IPR on a royalty-free, non-exclusive and non-transferrable basis for the use by the Purchaser or any of its subsidiaries.

SHAREHOLDING STRUCTURE

Assuming that there are no other changes in the issued share capital of the Company after the date of this announcement, the following table sets out the shareholding structure of the Company as at the date of this announcement and immediately upon Completion and completion of the Repurchase and the Distribution:

Name of Shareholders	As at the date of this announcement		Immediately upon Completion and completion of the Repurchase and the Distribution (Note)	
	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares
The Concert Group				
PUD	259,000,000	23.13%	409,518,229	24.73%
Mr. Song ^(Note 3)	—	—	—	—
Ms. Fu ^(Note 3)	—	—	—	—
Ms. Kobler	—	—	—	—
Mr. Liu ^(Note 3)	—	—	—	—
Mr. Wang ^(Note 3)	—	—	—	—
Mr. Qu ^(Note 3)	—	—	—	—
CAEL	—	—	139,476,352	8.42%
SGIL	—	—	129,293,975	7.81%
ROSL	—	—	87,753,871	5.30%
SIML	—	—	29,057,573	1.76%
SUBTOTAL	<u>259,000,000</u>	<u>23.13%</u>	<u>795,100,000</u>	<u>48.02%</u>

Name of Shareholders	As at the date of this announcement		Immediately upon Completion and completion of the Repurchase and the Distribution (Note)	
	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares
Mr. Martin Pos (Note 2)	39,033,498	3.49%	39,033,498	2.36%
Mr. Jan Rezab (Note 2)	—	—	—	—
VLVL	—	—	—	—
WAWA	—	—	—	—
FTHL	—	—	—	—
COOP	—	—	—	—
Other public Shareholders	<u>821,568,602</u>	<u>73.38%</u>	<u>821,568,502</u>	<u>49.62%</u>
Total	<u>1,119,602,000</u>	<u>100.00%</u>	<u>1,655,702,000</u>	<u>100.00%</u>

Notes:

1. Assuming that no other Shares are issued other than the Consideration Shares from the date of this announcement until Completion.
2. Each of Mr. Martin Pos and Mr. Jan Rezab is presumed to be acting in concert with PUD under class (6) presumption until Completion. This class (6) presumption will cease to apply after Completion.
3. Each of the following members of the Concert Group is interested in the underlying Shares of the Company in respect of the Share Options granted to him/ her:

Member of the Concert Group	Number of underlying Shares
Mr. Song	1,390,000
Ms. Fu	1,390,000
Mr. Martin Pos	2,400,000
Mr. Liu	2,400,000
Mr. Qu	2,400,000
Mr. Wang	2,400,000
Mr. Jan Rezab	5,000,000

Notes:

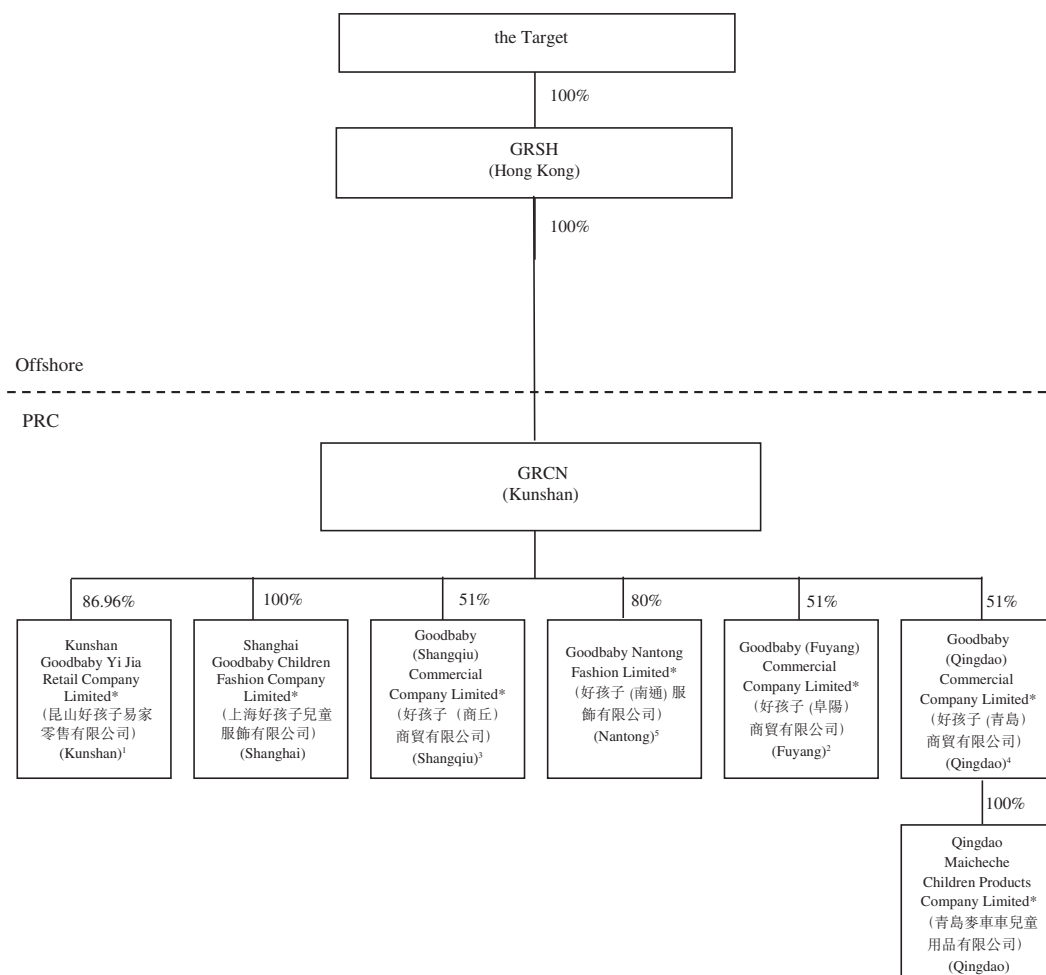
1. CAEL is indirectly held by Credit Suisse Trust Limited. Credit Suisse Trust Limited is the trustee holding such interest on trust for the beneficiaries of the Grappa Trust, that include Mr. Song, Ms. Fu, and their family members.
2. PUD, a substantial shareholder of the Company, is owned as to approximately 51.19% by CAEL, as to approximately 12.37% by Powergain Global Limited, as to approximately 9.69% by Lexidirect Corporation, and as to approximately 26.75% by other 127 shareholders (including approximately 0.76% held by Ms. Kobler). These 127 shareholders are current employees or ex-employees of the Group. None of these 127 shareholders holds more than 4% in PUD on an individual basis. Lexidirect Corporation is owned as to 10% by Mr. Liu, and as to 90% by an Independent Third Party; Powergain Global Limited is wholly owned by Mr. Wang, the nephew of Mr. Song.
3. SGIL is owned as to 44.44% by Mr. Song, as to 22.22% by Ms. Fu, as to 16.67% by Mr. Wang, as to 11.11% by Mr. Liu and as to 5.56% by Mr. Qu.
4. ROSL is indirectly held by Credit Suisse Trust Limited as the trustee of the Golden Phoenix Trust; Ms. Fu is the settlor of the trust and Credit Suisse Trust Limited is the trustee holding such interest on trust for the beneficiaries that include Ms. Fu.
5. SIML is wholly owned by Mr. Liu.
6. VLVL is an Independent Third Party.
7. WAWA is an Independent Third Party.
8. FTHL is an Independent Third Party.
9. COOP is an Independent Third Party.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, except PUD, SGIL, CAEL, ROSL and SIML as disclosed above, the other shareholders of the Vendor are Independent Third Parties.

INFORMATION ON THE TARGET GROUP

Structure of the Target Group

The following chart sets out the corporate structure of the Target Group as at the date of this announcement:



Notes:

1. The remaining 13.04% was held by Mr. Hu Yajun, an Independent Third Party, which is in the process of being transferred to GRCN.
2. The remaining 49% was held by Anhui Guoguo Children Products Sales Company Limited* (安徽果果兒童用品銷售有限公司).
3. The remaining 49% was held by Shangqiu Zhuoran Children Products Co., Ltd.* (商丘卓然兒童用品有限公司), which is undergoing a capital reduction and upon completion of which, will not be a subsidiary of GRCN.
4. The remaining 49% was held by Mr. Zhang Benjin, an Independent Third Party.
5. The remaining 20% was held by Ms. Li Xiaofeng, an Independent Third Party.

Business and Brands

The Target Group has the following core businesses: (i) the product development, brand management and distribution of leading Self-owned Brands in maternity and baby-care products and apparel products; and (ii) one of the largest retail networks for MBC Products in China, a leading omni-channel sales platform that provides customers with its Self-owned Brands in maternity and baby-care products, apparel products and the Group's durable juvenile products.

(i) Product development, brand management and distribution of leading Self-owned Brands

The Target Group designs, develops and distributes maternity and baby-care products and babies and children apparel products under the Self-owned Brands of “gb” and “Family by GB”. Maternity and baby-care products include nursing, feeding and personal care products such as diapers, pacifiers, bottles, tableware, skincare, toiletries, baby wipes, small appliance, and skincare products, shampoo and hygiene products. Babies and children apparel products include apparel for infants and toddlers (0-4 years old) and children (5-8 years old) as well as home textile products such as bedding and accessories.

The Target Group owns the “gb” brand under different categories of the “gb” trademarks. The Target Group has a dedicated in-house product design, research and development team, which comprised 44 designers and product managers as of 30 April 2017. The Target Group outsources the production of all products to selected OEM contractors and sells products under the Self-owned Brands as of 30 April 2017 on its omni-channel sales platform and through 405 offline distributors.

Non-durable MBC Products include maternity and baby-care products, apparel and footwear, and home furnishing products etc. According to the Frost & Sullivan Report commissioned by the Purchaser, the Target Group was a leading brand in China's non-durable MBC products market by retail sales value in 2016. This is primarily attributable to its strong product development capabilities coupled with well-established online and offline channels to distribute its products. As of 30 April 2017, it had registered 41 patents in China, comprising 27 design patents and 14 utility patents. The Target Group utilizes global resources in product development to continuously improve the product design, function and quality of its maternity and baby-care products. For example, in 2016, working together with a German designer team, the Target Group

developed special molds of functional milk bottles that encourage infants to develop eating habits while providing real sense of breast milk. The Target Group also launched new personal care products for newborns in 2016 with nature and healthy ingredient sourced from best country of origin. In the babies and children apparel segment, the Target Group incorporated new brand positioning in 2016 and has broadened its product offering and significantly enhanced product newness to meet the evolving customers' demands. The Target Group also successfully developed home textile products such as bedding and accessories in 2015 which contributed to Target Group's strong revenue growth since second half of 2016.

- (ii) *one of the largest retail network for MBC Products in China, a leading omni-channel sales platform provides customers with its Self-owned Brands in maternity and baby-care products, apparel products and the Group's durable juvenile products.*

The Target Group has a well-established omni-channel retail sales platform that comprises online self-operated stores, online key accounts and other online third party retailers and offline self-operated stores as well as other offline retail channels which sell products under the Self-owned Brands and the Group's durable juvenile products.

Omni-channel Retail Sales Platform

The Target Group's online retail network

As at 30 April 2017, the Target Group's online retail network consisted of:

- self-operated online retail network, which included (i) the Target Group's own web-based platform, haohaizi.com, and (ii) six self-operated flagship stores on third-party online platforms;
- retail platforms of four online key accounts, all of which are leading e-commerce companies in China;
- online third party retailers who on-sell the products to end-customers online.

The Target Group's offline retail network

The Target Group has established an extensive and well-managed offline retail network, which, as at 30 April, 2017, consisted of:

- *Self-operated stores.* The Target Group owned and operated 977 self-operated stores located within department stores, shopping malls and at street level;
- *Offline others.* The Target Group had sales arrangements with 54 operators of supermarkets and hypermarkets and group purchase customers.

Development of retail network

The following table provides a breakdown of the Target Group's online and offline retail network as at the dates indicated.

<u>Retail Network</u>	As at 31 December			As at
	2014	2015	2016	30 April 2017
<i>Online</i>				
Self-operated online retail ¹	7	7	8	7
Online key accounts' retail	4	4	4	4
Online third-party retailers	110	139	161	182
<i>Offline</i>				
Self-operated offline retail ²	840	885	945	977
Offline others ³	50	52	53	54

Notes:

1. Included (i) the Target Group's own web-based sales platform, haohaizi.com and (ii) flagship stores on third-party online platforms.
2. Included stores operated by the Target Group and located within department stores, shopping malls and stores at street level. For department stores, the Target Group typically sells products in arrangements where it has several separate outlets within a single department store; these arrangements are counted as one store. In addition to revenue from the Target Group's self-operated offline stores, its self-operated offline retail segment's revenue included revenue generated from its offline sales promotion events organized by its headquarters and branch offices.
3. Included operators of supermarkets and hypermarkets and group purchase customers.

Key Financial Information

Set out below is certain selected financial information of the Target Group based on its audited consolidated financial statements for the three years ended 31 December 2016 and for the 4 months ended 30 April 2017.

	For the year ended 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the year ended 31 December 2016 <i>RMB'000</i>	Four months ended 30 April 2017 <i>RMB'000</i>
Revenue	1,678,738	1,854,631	1,937,395	739,224
Net profit before tax	109,095	135,840	136,258	76,529
Net profit after tax	80,685	101,594	100,799	56,792

As at 31 December 2016, based on the audited financial statements of the Target Group, the net asset value of the Target Group was RMB72,725,000 (equivalent to approximately HK\$83,797,112). As at 30 April 2017, based on the audited financial statements of the Target Group, the net asset value of the Target Group was RMB127,905,000 (equivalent to approximately HK\$147,378,064).

INFORMATION ON THE GROUP

The Company is a limited liability company incorporated in the Cayman Islands which is the ultimate holding company of the Group.

The Group is a leading international durable juvenile products company, primarily engaged in the design, research and development, manufacture, marketing and sales of strollers children's car safety seats, cribs, bicycles and tricycles and other durable juvenile products. The Group strategically focuses on its own brands such as "Cybex", "gb" and "Evenflo" and also provides product development and manufacturing services to blue chip OEM customers.

EQUITY FUND RAISING ACTIVITIES IN LAST 12 MONTHS

Shares were issued by the Company upon the exercise of Share Options previously granted by the Company. The exercise monies received amounted to HK\$5,785,480 and were used for general working capital of the Group.

Save as aforesaid, the Company has not undertaken any equity fund-raising exercise in the 12 months immediately preceding the date of this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

A Unique Opportunity — at the Right Time of the Development of the Group

Since the listing of the Group, the Group has been focusing its business on the durable juvenile products and successfully transformed from an OEM-driven company, into a multi-brand, global leading durable juvenile products company with a brand-driven, one-dragon, vertically integrated business model. Such achievements were the results of the successful acquisition of “Cybex” and “Evenflo” in 2014, where the Group has since continuously invested in the transformation, in-depth integration and roll out of internationally managed management platform for further development and sustainable growth.

As part of the continuous growing strategy, the Group believes it is critical and at the right timing to (1) further broaden the Group’s product portfolio from its existing durable juvenile products into holistic and complementary MBC Products with a much larger addressable market, higher multi-category growth and better profitability potentials, (2) capture the robust growth in China’s MBC Products market driven by consumption upgrade and favorable two-child policy through expanding directly into online and offline retail sales channels. As the Group is implementing the BOOM strategy which integrates branding with online and offline business model, it is critical to penetrate into online and offline retail sales channel directly in order to build up an eco-system and provide customer value-add services and convenient shopping experience while promoting its brands directly and effectively, and (3) leverage such interactions with end-customers to build a consumer-oriented and brand-driven ecosystem in China for the Group.

The Target Group is a leading MBC brand company in China with a leading omni-channel sales platform for MBC Products. The company focuses on: (i) the product development, brand management and distribution of leading Self-owned Brands in maternity and baby-care products and apparel products; and (ii) one of the largest retail network for MBC Products in China, a leading omni-channel sales platform provide customers the Self-owned Brands in maternity and baby-care products, apparel products and the Group’s durable juvenile products. With its core strengths in holistic complementary maternity and baby-care and apparel product portfolio and omni-channel sales platform for MBC Products with leading position both online and offline. The combination of the Group and the Target Group represents a unique opportunity for the Group to further implement its one-dragon, vertically integrated business model by broadening the Group’s product portfolio, improving growth and profitability, further strengthening its penetration and capturing the growth opportunity in China’s MBC Products industry with self-operated retail network and ultimately interacting directly with end-customers. The Group believes that such strategies are critical in today’s new age of becoming

a globally leading MBC Products brand company, and is at critical time to be enacted at this stage of the Group’s development to take advantage of the current market growth opportunity and acquire the Target Group at an attractive valuation to the Group.

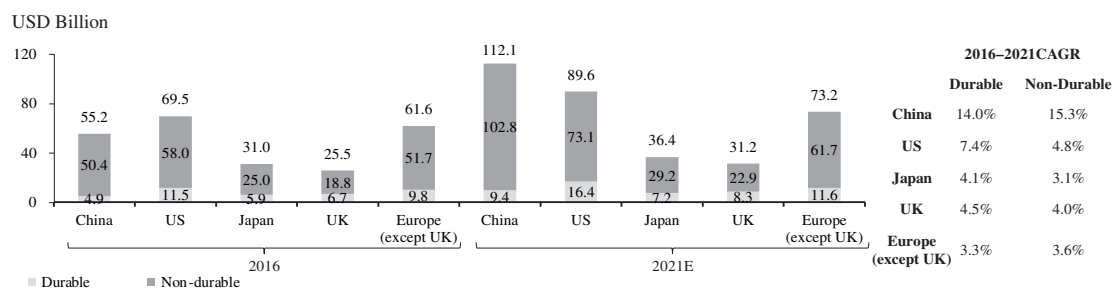
Furthermore, prior to Completion, the Group has been selling a significant part of its products through the Target Group’s retail platforms which created additional administrative and distribution cost to the Group and there was coordination cost for the Group and the Target Group prior to the Completion as both companies own different categories of the “gb” brand, such cost can be reduced upon Completion. Moreover, the consolidation of the Group and the Target Group will create a fully-integrated global comprehensive MBC Products brand with direct access and interaction to the end users of the Group’s MBC Products, which will enable the Group to provide value-added services and enhance customer shopping experience and hence increase their loyalty to the “gb” brand, allowing the Group to become an active and competitive player in the market of MBC Products.

Broaden the Group’s Product Portfolio to Complement the Group’s Products with a Much Larger Addressable Market, Higher Multi-product Category Growth and Better Profitability Potentials

The Group has enjoyed leading market share globally for durable juvenile products with particular strengths in strollers and car seats. The Target Group conversely has developed strong product research and development capability and brand awareness for non-durable MBC Products, including maternity and baby-care products, such as nursing, feeding and personal care products, and babies and children apparel products. Consequently, complementary product lines and core competencies between the Group and the Target Group are expected to lead to the Group’s further transformation into a global comprehensive MBC Products brand company.

The addressable market for non-durable MBC Products is significantly larger in size globally than that for durable juvenile MBC Products market, providing the Group with significant further growth potential.

Durable vs. Non-Durable MBC Products Retail Sales Value (2016-2021E)



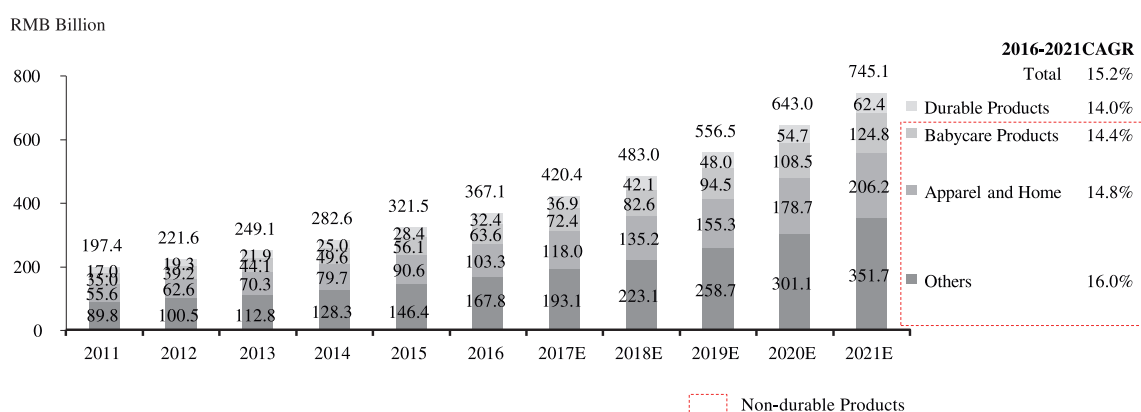
Source: Frost & Sullivan

According to the Frost & Sullivan Report, China is expected to be the largest MBC Products retail market globally by 2021. The Target Group was ranked as a leading brand in China’s non-durable MBC market by retail sales value in 2016.

The retail market size for non-durable MBC Products in China is significantly larger than that for durable MBC Products, and according to the Frost & Sullivan Report, it is estimated to grow at a higher CAGR of 15.3% from 2016 to 2021. The key product categories that the Target Group covers, including maternity and baby-care products and apparel and home products, are expected to grow at 14.4% and 14.8% respectively in the next five years and reach a total market size of RMB124.8 billion and RMB206.2 billion by 2021.

The combination of the Group and the Target Group will create a comprehensive and innovative product portfolio and significantly enhance the Group’s product development, branding and distribution capabilities, and enable the Group to further consolidate the fragmented MBC Products markets in China. It will also enhance the Group’s competitive globally across all customer segments in the MBC Products retail market in the longer term.

Retail Sales Value of MBC Products in China



Source: Frost & Sullivan

Capture the Growth Opportunity in China’s MBC Markets through Direct Access to Omni-channel Retail Platform

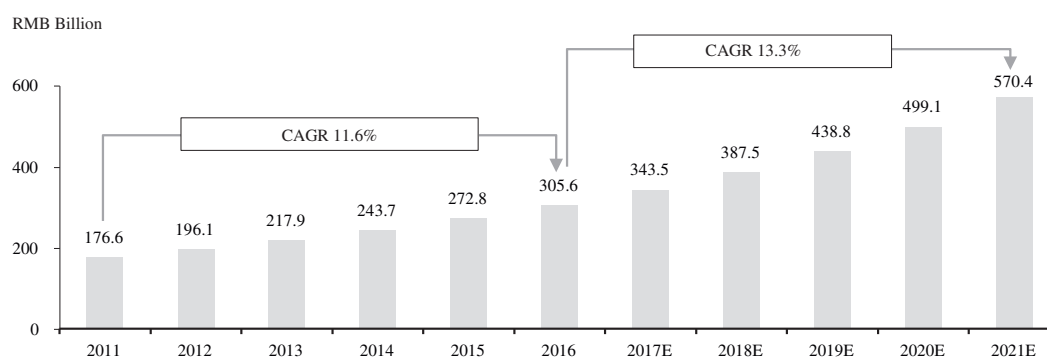
China has one of the world’s largest and fastest growing MBC Products retail markets. According to the Frost & Sullivan Report, China’s retail market for MBC Products has grown rapidly from RMB197.4 billion of retail sales value in 2011 to RMB367.0 billion of retail sales value in 2016, representing a CAGR of 13.2%. With rising disposable income, increasing awareness on product safety and quality and the favorable second-child policy, China’s demand for high-quality MBC Products from

reputable brands has grown rapidly in recent years. The retail market for MBC Products in China is expected to continue to grow significantly and reach RMB745.1 billion of retail sales value by 2021, representing a CAGR of 15.2% from 2016 to 2021.

Driven by the large and growing internet and mobile internet user base, online sales of MBC Products in China have experienced strong growth in recent years. According to the Frost & Sullivan Report, the online retail market for MBC Products in China reached RMB61.4 billion in retail sales value in 2016, and is expected to continue to grow significantly at a CAGR of 23.3% from 2016 to 2021. Meanwhile, online retail sales as a percentage of total retail sales of MBC Products is expected to increase from 16.7% in 2016 to 23.4% in 2021. Offline retail network that typically include shopping malls, department stores, maternity and children care specialty stores, supermarkets, are gaining importance to satisfy the increasing demand on shopping experience and service of Chinese customers and are expected to remain the primary sales channels in China for MBC Products in the near future. The offline retail market for MBC Products in China reached RMB305.6 billion in 2016, with a projected CAGR of 13.3% from 2016 to 2021.

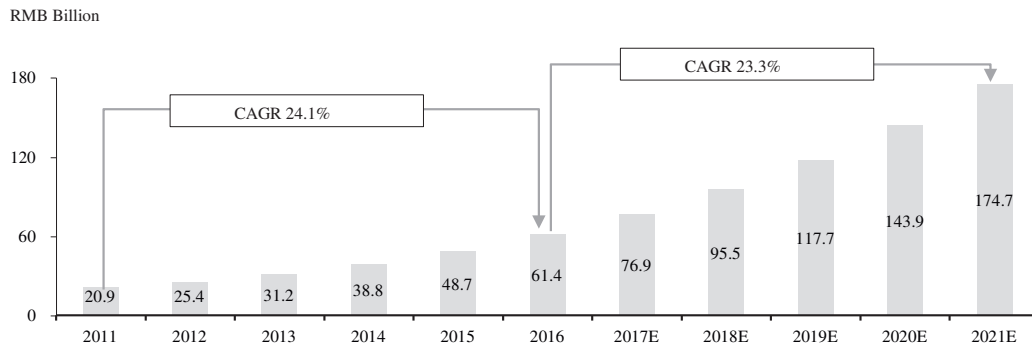
It is critical for the Group to capture the vast growth opportunity in China through obtaining the omni-channel sales platform and enacting direct communication with end customers. The Target Group has a leading omni-channel sales platform for MBC Products. According to Frost & Sullivan, it was ranked as a top 5 MBC specialty retailer in China’s MBC market by total retail sales value in 2016 and ranked as a top 3 MBC specialty retailer by online retail sales value in 2016. The control of the omni-channel sales platform will significantly enhance the Group’s marketing efficiency and effectiveness, provide value-add service and convenient shopping experience to customers and enhance its competitive edge over other rivals.

Offline Retail Sales Value of MBC Products in China (2011-2021E)



Source: Frost & Sullivan

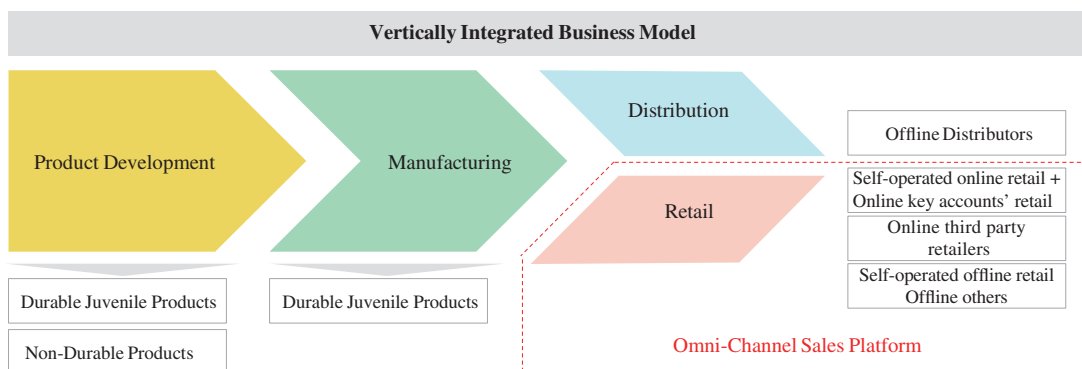
Online Retail Sales Value of MBC Products in China (2011-2021E)



Source: Frost & Sullivan

Fully-Integrated Business — Significant Value-add in Downstream Business

The Acquisition will allow the Group to quickly transform from a business that focuses on design, research and development, manufacture, marketing and sale of durable juvenile products into a fully-integrated business that encompasses a leading omni-channel sales platform for comprehensive MBC Products among all online and offline retailers selling MBC Products in China. Following the Acquisition, the Group will leverage the Target Group's comprehensive and highly penetrated online and offline retail network under Self-owned Brands comprising over 11 self-operated online and online key accounts' retail platforms, 182 online third party retailers, 977 self-operated stores located in shopping malls and department stores, covering 148 cities in China as of 30 April 2017.



Active End-Customers and Members — Direct Interactions is Key

The Group appreciates the importance of interacting directly with end-customers. The Target Group places significant emphasis on building relationships with end-customers through tailored and creative marketing strategies and strives to utilize various traditional, new and alternative media channels to reach-out to end-customers effectively. The Target Group has actively participated in online promotional events that are popular among online merchants, such as the “Double Eleven” event held on November 11 of each year in China. The Target Group has also allied with other e-commerce platforms to leverage their online search functions to optimize the hits of keyword search results in connection with the Target Group’s Self-owned Brands, products and online stores. The self-operated online retail network of the Target Group had approximately 464,034 active customers for the 4 months ended 30 April 2017 and the Target Group had approximately 1,197,970 and 728,205 active customers on its online retail network for 2016 and 2015 respectively. The data gathered from these interactions will provide the Group with valuable insights in improving end-customers experience, tailoring products for different retail channels, operating more efficiently and creating innovative products and services.

With the combination of the Group and the Target Group, the Group will be able to capture these data and interactions directly with end-customers, and in turn, provide better alignment and control over the end-customers’ feedback and timely reactions to such feedbacks. Furthermore, by leveraging such interactions with end-customers, the Group would be able to build a consumer-oriented and brand-driven ecosystem in China.

Elimination of Significant Connected Transactions

Historically, the Group has been selling a significant part of its products through the Target Group because of its extensive distribution and omni-channel sales platform, successful track record and management expertise in China’s MBC Products retail market. Before Completion, the Target Group was a connected person of the Company, and these transactions constituted connected transactions of the Company under the Listing Rules. After Completion, the Target will become a wholly owned subsidiary of the Group, and all of such transactions will no longer be connected transactions of the Group.

Such elimination of the connected transactions will provide better visibility and control of the Group’s distribution and retail channels in China, enhance efficiency, reduce administrative and logistics costs and enable the Group to capture better profitability as a whole.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, members of the Concert Group are, in aggregate, interested in (i) 298,033,498 Shares, representing approximately 26.62% of the issued share capital of the Company; and (ii) 17,380,000 Share Options, which together with their interest in 298,033,498 Shares, representing approximately 27.74% of the issued share capital of the Company assuming full exercise of the Share Options, the shareholding as set out below:

- i. PUD holds 259,000,000 Shares, representing approximately 23.13% of the issued share capital of the Company;
- ii. Mr. Martin Pos, an executive Director, holds 39,033,498 Shares, representing approximately 3.49% of the issued share capital of the Company (Note); and
- iii. members of the Concert Group are interested in an aggregate of 17,380,000 underlying Shares in respect of the Share Options granted to them, representing approximately 1.55% of the issued share capital of the Company, as set out below:

Member of the Concert Group	Number of underlying Shares
Mr. Song	1,390,000
Ms. Fu	1,390,000
Mr. Martin Pos (Note)	2,400,000
Mr. Liu	2,400,000
Mr. Qu	2,400,000
Mr. Wang	2,400,000
Mr. Jan Rezab (Note)	5,000,000
	Total: 17,380,000

(Note: Each of Mr. Martin Pos and Mr. Jan Rezab is presumed to be acting in concert with PUD under class (6) presumption until Completion. This class (6) presumption will cease to apply after Completion.)

Upon Completion and completion of the Repurchase and the Distribution, as illustrated in the section headed “SHAREHOLDING STRUCTURE”, assuming that none of the Share Options will be exercised, the Concert Group will, in aggregate, be interested in 834,133,498 Shares, representing (a) approximately 74.50% of the issued share capital of the Company as at the date of this announcement; (b)

approximately 50.38% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and (c) approximately 48.02% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (excluding the presumed concertparty Mr. Martin Pos and Mr. Jan Rezab).

An application will be made by the Whitewash Applicant to the Executive for the Whitewash Waiver pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code shortly after publication of this announcement. In the absence of the Whitewash Waiver, the Whitewash Applicant would be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Concert Group as a result of the issue of the Consideration Shares, the Repurchase and the Distribution.

The Whitewash Waiver, if granted by the Executive, would be subject to, among other things:

- (i) the approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM by way of poll;
- (ii) the Concert Group not having acquired any voting rights of the Company in the six months prior to the date of this announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Agreement; and
- (iii) the Concert Group not having any acquisitions or disposals of voting rights of the Company between the date of this announcement and the Completion unless with the prior consent of the Executive.

Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and the Independent Shareholders approving the Whitewash Waiver at the EGM on a vote to be taken by way of a poll. The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders may or may not approve the Whitewash Waiver. The Acquisition will not proceed if the Whitewash Waiver is not so granted or approved.

As at the date of this announcement, the Company does not believe that the Acquisition and the transactions contemplated thereunder give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular. The

Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition and the transactions contemplated thereunder do not comply with other applicable rules and regulations.

Although the Concert Group will hold more than 50% of the issued share capital of the Company upon Completion, the class (6) presumption will cease to apply after Completion and the Concert Group will still be subject to the creeper rule under the Takeovers Code after Completion.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the date of this announcement, the issued share capital of the Company comprises 1,119,602,000 Shares. Except for 68,266,500 outstanding Share Options, the Company does not have any options, warrants or convertible securities in issue.

As at the date of this announcement, none of the members of the Concert Group:

1. is interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement otherwise than as disclosed in the section headed “Whitewash Waiver” in this announcement;
2. holds, controls or has discretion over any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company except as disclosed under the section headed “TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER” and Note 3 to the section headed “SHAREHOLDING STRUCTURE” of this announcement;
3. has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
4. has made any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Vendor which might be material to the Acquisition and/or the Whitewash Waiver, with any other persons;
5. has made any agreement or arrangement which relates to circumstances in which it/he/she may or may not invoke or seek to invoke a precondition or a condition to the Acquisition and/or the Whitewash Waiver, other than the conditions precedent to the Acquisition as set out in this announcement;

6. has received any irrevocable commitment to vote for or against the Acquisition and/or the Whitewash Waiver; or
7. has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the six-month period prior to the date of this announcement except as contemplated under the Agreement.

LISTING RULES IMPLICATIONS

The Acquisition

The Vendor is an associate of Mr. Song, who is an executive Director, and hence a connected person of the Company under Chapter 14A of the Listing Rules. As one or more of percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major and connected transaction for the Company which requires the approval of the Independent Shareholders by poll at the EGM.

The License

The License constitutes a continuing connected transaction for the Company under the Listing Rules. As the License is on normal commercial terms or better and on a royalty-free basis, it falls within the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules and is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

Completion of the Acquisition is conditional upon, amongst others, the grant of the Whitewash Waiver to the Whitewash Applicant and the Independent Shareholders approving the Acquisition and the Whitewash Waiver at the EGM on a vote taken by a poll.

Each member of the Concert Group (to the extent it/he/she owns any Shares as at the date of the EGM) and any other Shareholders who are interested or involved in the Acquisition and/or the Whitewash Waiver shall abstain from voting in respect of the resolutions approving the Acquisition and the Whitewash Waiver at the EGM.

The vote on the matters placed before the EGM will be taken by way of a poll whereby all persons interested or involved in the transactions will not be permitted to vote.

Circular

A circular giving details of, among other (i) further details of the Acquisition and the Whitewash Waiver; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser in relation to the Acquisition and the Whitewash Waiver; and (iv) a notice of the EGM and a form of proxy, is expected to be despatched by the Company to the Shareholders on or before 14 August 2017.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISOR

The Independent Board Committee has been established to advise the Independent Shareholders on the Acquisition and the Whitewash Waiver.

At the Board meeting to consider the Agreement and the transactions contemplated thereunder, each of Mr. Song, Mr. Liu, Mr. Wang and Mr. Qu is considered to be interested in the transactions contemplated under the Agreement and has abstained from voting in respect of the resolutions to approve the Agreement and the transactions contemplated thereunder.

The following members of the Independent Board Committee, namely Mr. Iain Ferguson Bruce, Mr. Shi Xiaoguang, Ms. Chiang Yun, Mr. Jin Peng and Mr. Ho Kwok Yin, Eric will express their views, after considering the advice of the independent financial adviser.

The remaining Directors, namely Mr. Martin Pos and Mr. Jan Rezab, consider the terms and conditions of the Acquisition including the Issue Price to be fair and reasonable and on normal commercial terms and that the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

Members of the Independent Board Committee are interested in the underlying Shares as follows:

Mr. Iain Ferguson Bruce	800,000
Mr. Shi Xiaoguang	800,000
Ms. Chiang Yun	800,000
Mr. Ho Kwok Yin, Eric	1,000,000

Except as disclosed above, none of the members of the Independent Board Committee are interested in the Shares or underlying Shares. None of the members of the Independent Board Committee is interested in the Acquisition and/or the Whitewash Waiver.

Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisition and the the Whitewash Waiver.

MAINTENANCE OF THE PUBLIC FLOAT

The Company intends to maintain its listing on the Stock Exchange after Completion.

PUD, CAEL, SGIL, ROSL, SIML and the Company will use their respective reasonable endeavors to ensure that the public float of the Company will not be less than 25% (or such lower percentage as may be allowed under the Listing Rules) of its issued share capital immediately after Completion and completion of the Distribution as required under the Listing Rules.

Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition by the Company of the Sale Share
“Actual Working Capital”	the working capital of the Target Group as shown in the Completion Statement
“Agreement”	the agreement dated 24 July 2017 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“associate”	has the meaning ascribed thereto under the Takeovers Code
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CAEL”	Cayey Enterprises Limited, a company incorporated in BVI on 1 February 2008 and indirectly held by Credit Suisse Trust Limited as trustee for the Gappa Trust

“CAGR”	compound annual growth rate
“Cash Consideration”	the cash amount of US\$120,485,816
“Company”	Goodbaby International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 1086)
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the Agreement
“Completion Date”	the date on which Completion takes place
“Completion Statement”	the final statement of financial position of the Target Group as at the Completion Date to be prepared by independent auditors to be appointed by the Purchaser
“Concert Group”	PUD, CAEL, SGIL, ROSL, SIML and parties acting in concert with any of them (including Mr. Song, Ms. Fu, Ms. Kobler, Mr. Liu, Mr. Wang, Mr. Qu, Mr. Martin Pos and Mr. Jan Rezab, Mr. Jan Rezab, Mr. Ho Kwok Yin, Eric, Mr. Iain Ferguson Bruce, Mr. Shi Xiaoguang, Ms. Chiang Yun and Mr. Jin Peng)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration Shares”	536,100,000 new Shares to be allotted and issued by the Company
“COOP”	Coop Investment Company Ltd., a company incorporated in BVI, which is wholly owned by an Independent Third Party, as at the date of this announcement
“Director(s)”	the director(s) of the Company

“Distribution”	(1) the distribution in specie of the Consideration Shares by the Vendor; and (2) the payment of dividend by the Vendor to its shareholders, upon completion of the Repurchase, on a pro-rata basis in proportion to their respective shareholding interests in the Vendor as set out in paragraph (ii) of the section headed “THE Distribution” in this announcement
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Acquisition, the Specific Mandate, the Licenses and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company
“Frost & Sullivan Report”	an industry report commissioned by the Purchaser and prepared by Frost & Sullivan dated July 17th 2017
“FTHL”	Fine Time Holdings Limited (上時控股有限公司), a company incorporated in BVI, which is jointly owned by Independent Third Parties, as at the date of this announcement
“Fundamental Warranties”	the fundamental warranties as set out in the Agreement which includes the title of the Sale Share, group structure of the Target Group and warranties in relation to the intellectual property rights of the Target Group
“Golden Phoenix Trust”	a trust established with Ms. Fu as the settlor of the trust and Credit Suisse Trust Limited as the trustee for the purpose of holding the interest on trust for its beneficiaries
“Grappa Trust”	a trust established with Mr. Song and Ms. Fu as the settlors and Credit Suisse Trust Limited as the trustee for the purpose of holding the interest on trust for its beneficiaries

“Group”	the Company and its subsidiaries
“GRCN”	Goodbaby (China) Retail & Service Company Limited* (好孩子(中國)零售服務有限公司), a company established in the PRC with limited liability and is directly wholly owned by the Target as at the date of this announcement
“GRSH”	Goodbaby Retail & Service Holdings Limited (好孩子零售服務控股有限公司), a company incorporated in Hong Kong on 11 April 2016 and directly and wholly owned by the Target as at the date of this announcement
“HK\$”	Hong Kong dollar, 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 the independent non-executive Directors and the non-executive Director, formed for the purpose of advising the Independent Shareholders on the Acquisition and the Whitewash Waiver
“Independent Financial Advisor”	Somerley Capital Limited
“Independent Shareholders”	Shareholders other than (a) the Concert Group (to the extent any of the members owns any Shares as at the date of the EGM), and (b) those who are involved in or interested in the Acquisition and/or the Whitewash Waiver
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected person(s) (within the meaning of the Listing Rules) of the Company or any of their respective associates
“Issue Price”	the issue price of HK\$3.49 per Consideration Share
“Last Trading Date”	24 July 2017, being the last trading day prior to the date of this announcement

“License”	the license with respect to the Relevant IPR to be entered into between one or more entities controlled by Mr. Song and/or Ms. Fu as the licensor and the Purchaser (or its subsidiaries) as the licensee, the principal terms of which are set out in the section headed “THE LICENSE” in this announcement
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long-Stop Date”	31 January 2018, or such other date as may be agreed between the Purchaser and the Vendor in writing “MBC Products”
“Mr. Liu”	Mr. Liu Tongyou (劉同友), an executive Director
“Mr. Qu”	Mr. Michael Nan Qu (曲南), an executive Director
“Mr. Song”	Mr. Song Zhenghuan (宋鄭還), an executive Director
“Mr. Wang”	Mr. Wang Haiye (王海燁), an executive Director, and the nephew of Mr. Song
“Ms. Fu”	Ms. Fu Jingqiu (富晶秋), the spouse of Mr. Song
“Ms. Kobler”	Ms. Sharon Nan Kobler, the daughter of Ms. Fu
“PRC” or “China”	the People’s Republic of China excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“PUD”	Pacific United Developments Limited, a company incorporated in BVI on 16 May 2002 and is owned, as at the date of this announcement <ul style="list-style-type: none"> (1) as to 51.19% by CAEL, (2) as to 12.37% by Powergain Global Limited (which is wholly owned by Mr. Wang),

	(3) as to 9.69% by Lexidirect Corporation (which is owned as to 10% by Mr. Liu), and
	(4) as to 26.75% by other 127 shareholders
“Purchaser”	the Company
“Reference Working Capital”	RMB -12,768,000 (negative Twelve Million Seven Hundred and Sixty Eight Thousand) which is the working capital requirement of the Target Group as of its audited financial statements as of 30 April 2017
“Relevant IPR”	the trademarks, domain names and related intellectual property rights to be transferred from the Vendor (or its associates) to the Purchaser (or its subsidiary) pursuant to the Agreement, including “Goodbaby”; “Goodbaby eu”; “Happy Dino” and “gb”
“Repurchase”	the repurchase and cancellation by the Vendor of its shares held by VLVL, WAWA, FTHL and COOP as set out in paragraph (i) of the section headed “THE Distribution” in this announcement
“Restructuring”	<p>(1) the transfer of the equity interest of the relevant Target Group companies from Goodbaby China Commercial Limited (好孩子(中國) 商貿有限公司) to GRCN;</p> <p>(2) the purchase of the 13.04% minority interest in Kunshan Goodbaby Yi Jia Retail Company Limited (昆山好孩子易家零售有限公司); and</p> <p>(3) the capital reduction and disposal of Goodbaby (Shangqiu) Commercial Company Limited (好孩子(商丘) 商貿有限公司) by GRCN</p>
“RMB”	Renminbi, the lawful currency of the PRC
“ROSL”	Rosy Phoenix Limited, a company incorporated in the Independent State of Samoa on 3 September 2013 and indirectly held by Credit Suisse Trust Limited as the trustee of the Golden Phoenix Trust

“Sale Share”	the entire issued capital of the Target as at Completion
“Self-owned Brands”	“Family by GB” and “gb”
“SGIL”	Sure Growth Investments Limited, a company incorporated in BVI on April 20, 2000 and is owned as to 44.44% by Mr. Song, as to 22.22% by Ms. Fu, as to 16.67% by Mr. Wang, as to 11.11% by Mr. Liu and as to 5.56% by Mr. Qu as at the date of this announcement
“Share Options”	share options of the Company granted by the Company under the share option scheme adopted on 5 November 2010
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“SIML”	Silvermount Limited, a company incorporated in the Independent State of Samoa and is wholly owned by Mr. Liu as at the date of this announcement
“Specific Mandate”	the specific mandate proposed to be obtained by the Directors from the Independent Shareholders at the EGM to allot and issue the Consideration Shares at the Issue Price
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Target”	Oasis Dragon Limited, an international company incorporated in the Independent State of Samoa on 13 November 2015 and directly and wholly owned by the Vendor as at the date of this announcement

“Target Group”	the Target and its subsidiaries
“US\$”	United States dollar, the lawful currency of the United States
“Vendor”	Goodbaby China Holdings Limited (好孩子中國控股有限公司), an exempted company incorporated in the Cayman Islands on 30 July 2012 with limited liability
“VLVL”	Victor Lead Ventures Limited (凱利創投有限公司), an investment holding company incorporated in BVI, which is owned by Independent Third Parties as at the date of this announcement
“WAWA”	WAWA Investment Company Ltd., an investment holding company incorporated in BVI, which is wholly owned by Independent Third Parties as at the date of this announcement
“Whitewash Applicant”	PUD
“Whitewash Waiver”	the waiver from the Executive pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Whitewash Applicant to make a mandatory general offer for all of the Shares and other securities of the Company not already owned or agreed to be acquired by the Concert Group which would, if the Acquisition proceeds, otherwise arise as a result of the issue of the Consideration Shares
“%”	per cent

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

Hong Kong, 24 July 2017

The Company

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

All the Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement (except for the information relating to the Vendor or the Target Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The Vendor

As at the date of this announcement, the directors of the Vendor are Mr. SONG Zhenghuan and Ms. FU Jingqiu.

All the directors of the Vendor jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

Exchange rates

Unless otherwise stated, amount in RMB has been translated into HK\$ at exchange rate of HK\$1.00 to RMB0.863 for illustration purposes only. No representation is made that any amount in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

Unless otherwise stated, amount in US\$ has been translated into HK\$ at exchange rate of HK\$1.00 to US\$0.128 for illustration purposes only. No representation is made that any amount in US\$ or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

** for identification purposes only*