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BAIOO Family Interactive Limited **百 奧 家 庭 互 動 有 限 公 司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2100)

DISCLOSEABLE TRANSACTION **ACQUISITION OF 74.9% EQUITY INTEREST IN** **BUMPS TO BABES LIMITED**

The Board wishes to announce that on 8 May 2015, after trading hours, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell, effectively a 74.9% equity interest in the Target for a total consideration of HK\$44,920,000 in cash and shares of the Purchaser representing 7.5% of the total issued shares of the Purchaser. The Acquisition was also completed on 8 May 2015.

As more than one of the applicable percentage ratios in respect of the aggregate of the Acquisition and the granting of the Put Option are more than 5% but less than 25%, the Acquisition and the granting of the Put Option constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 8 May 2015, after trading hours, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, effectively a 74.9% equity interest in the Target for a total consideration of HK\$44,920,000 in cash and shares of the Purchaser representing 7.5% of the total issued shares of the Purchaser.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement is set out below:

Date

8 May 2015

Parties

Purchaser : Bababaobei Commerce Limited, a company incorporated in the British Virgin Islands with limited liability

Vendor : Mr. Richard Ian Walker

The Purchaser was a wholly-owned subsidiary of the Company prior to Completion. Immediately prior to Completion, the Company had injected HK\$200 million as capital into the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor is a third party independent of the Company and is not a connected person (as defined in the Listing Rules) of the Company.

The Acquisition

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, effectively a 74.9% equity interest in the Target, to be implemented through the following on Completion:

- (1) the Vendor will transfer Shares representing 100% of the total issued share capital of the Target to Holdco;
- (2) Holdco will issue 2,510 Holdco Shares (representing 25.1% of the total issued share capital of Holdco) to the Vendor; and
- (3) the Purchaser will hold the remaining 7,490 Holdco Shares (representing 74.9% of the total issued share capital of Holdco).

Completion took place on the date of the Sale and Purchase Agreement.

Consideration

The total consideration valued at HK\$59,920,000 has been satisfied in the following manner on the Completion Date:

- (1) HK\$44,920,000 has been paid by the Purchaser to the Vendor in cash (the "**Cash Consideration**"); and

(2) 750 shares of the Purchaser (representing 7.5% of the total issued shares of the Purchaser) has been issued and allotted to the Vendor.

The Cash Consideration was funded by the internal resources of the Group.

The total consideration was determined based on arm's length negotiations between the Vendor and the Purchaser, taking into account (i) the potential benefits and synergy of the Acquisition; (ii) the Target's market position and financial performance; and (iii) the prospects of the mother and baby products industry.

Completion

The Acquisition was completed on the date of the Sale and Purchase Agreement.

Immediately after Completion, the Target will be an indirect non-wholly owned subsidiary of the Company (with the Company holding an effective interest in the Target of 69.28%) and the financial results of the Target will be consolidated with the results of the Group.

As shares of the Purchaser representing 7.5% of the total issued share capital of the Purchaser were issued to the Vendor as consideration for the Acquisition, upon Completion, the Group will hold 92.5% of the total issued share capital of the Purchaser and the Purchaser will remain as a subsidiary of the Company.

Other Provisions

The Sale and Purchase Agreement also contains other provisions such as warranties, tax and other indemnities and undertakings which are usual and customary for a transaction of this nature and scale.

THE SHAREHOLDERS' AGREEMENT

The Purchaser, the Vendor and Holdco entered into a shareholders' agreement on the Completion Date setting out the rights and obligation of the parties in relation to the Target Group.

Board Composition

Holdco's board of directors shall consist of three directors. The Purchaser has the right to appoint, remove and replace two directors, and the Vendor has the right to appoint, remove and replace one director on Holdco's board of directors.

Reserved Matters

Certain matters may not be effected by the Target Group without the prior written consent of a director appointed by the Vendor and at least one director appointed by the Purchaser (the “**Reserved Matters**”). The Reserved Matters include (without limitation) making any material changes to the nature or geographical area of the business, altering the constitutional document, changing the share or loan capital, taking any winding-up or dissolution steps, certain acquisitions, disposals and capital commitments, declaring or pay any dividends, commencement or settlement of any litigation or arbitration and changing the name of any member of the Target Group.

Restrictions on Transfers

Each of the Purchaser and the Vendor has agreed that they will not transfer any of their shares in Holdco until the fifth anniversary of the Completion Date (being 8 May 2020, the “**Lock-up Period**”). Following the Lock-up Period, the Purchaser and the Vendor will be entitled to certain rights that are customary in transactions of a similar nature in the event the other party wishes to transfer its shares including rights of first refusal, tag-along rights and drag-along rights.

Put Option

The Vendor has the right to require the Purchaser to purchase his 25.1% equity interest in Holdco (the “**Remaining Shares**”) during the period commencing 30 April 2018 and up to 30 April 2020 (the “**Put Option**”). The consideration for the Remaining Shares upon the exercise of the Put Option shall be:

$$8 \times \text{Net profits of the Target Group}^* \times 25.1\%.$$

* As shown in the last audited consolidated accounts for the Target Group immediately preceding the date of exercise of the Put Option

INFORMATION OF THE TARGET

The Target is a Hong Kong based company that primarily engages in sales of mother and baby products through both physical stores and door-to-door delivery. The Target was wholly-owned by the Vendor prior to Completion.

Based on the audited financial information provided by the Target, the net profits before and after taxation and extraordinary items for the year ended 31 March 2014 were HK\$1,359,183 and HK\$1,145,328, respectively; and the net book value of the Target as at 31 March 2014 was HK\$6,186,860. The net profits before and after taxation and extraordinary items for the year ended 31 March 2013 were HK\$2,399,706 and HK\$1,939,186, respectively; and the net book value of the Target as at 31 March 2013 was HK\$6,391,532.

INFORMATION OF THE GROUP

The Group is principally engaged in the business of online entertainment for children.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As mentioned above, the Group is principally engaged in the business of online entertainment for children. The Acquisition will allow the Group to leverage on its extensive understanding and experience in the children's market and technological capabilities to expand its offerings to include mother and baby products, through the Target's well-established brand name and physical stores in trusted locations such as Central, Hong Kong.

According to the 2014 China Maternal & Baby Industry E-Commerce Report by iResearch, the gross market value of China's maternal and baby market reached RMB1.43 trillion in 2013, and is expected to surpass RMB2 trillion in 2015. Within this market, e-commerce transactions accounted for approximately 6%, at RMB86 billion, with a projected CAGR of 30% going into 2017. The Directors therefore believe that there is strong potential for growth in this market.

The Board believes that the Target will provide an excellent platform for the Group to expand its operations and revenue stream in the mother and baby market, particularly in light of the Target's strong branding and existing customer base. The Vendor's continued involvement in the business of the Target will also allow the Group to leverage on the Vendor's experience and understanding of this market to further the growth of this business. Moreover, the Target's audience coverage can create substantial business synergy with the Group's existing business, thereby building shareholder value.

The Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Since more than one of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the aggregate of the Acquisition and the granting of the Put Option constitute a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval under Chapter 14 of the Listing Rules.

The issuance of shares of the Purchaser and Holdco to the Vendor as consideration constitutes a deemed disposal by the Company under Rule 14.29 of the Listing Rules. As all of the applicable percentage ratios in respect of such deemed disposal are less than 5%, such deemed disposal is not subject to any notification and announcement requirement as set out in the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of 74.9% equity interest in the Target pursuant to the terms of the Sale and Purchase Agreement
“Board”	the board of Directors
“Cash Consideration”	the cash portion of the total consideration under the Sale and Purchase Agreement, being HK\$44,920,000
“Company”	BAIOO Family Interactive Limited, a company incorporated in the Cayman Islands, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms of the Sale and Purchase Agreement
“Completion Date”	the date of the Sale and Purchase Agreement in which Completion occurred
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holdco”	Bababaobei Trading Limited, a company incorporated in the British Virgin Islands with limited liability
“Holdco Shares”	ordinary shares in the share capital of Holdco
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lock-up Period”	has the meaning given to it in the section of this announcement headed “The Shareholders’ Agreement — Restrictions on Transfers”
“Purchaser”	Bababaobei Commerce Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company prior to Completion

“Put Option”	has the meaning given to it in the section of this announcement headed “The Shareholders’ Agreement — Put Option”
“Remaining Shares”	has the meaning given to it in the section of this announcement headed “The Shareholders’ Agreement — Put Option”
“Reserved Matters”	has the meaning given to it in the section of this announcement headed “The Shareholders’ Agreement — Reserved Matters”
“Sale and Purchase Agreement”	the agreement dated 8 May 2015 between the Purchaser and the Vendor in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Bumps to Babes Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	Holdco and the Target
“Vendor”	Mr. Richard Ian Walker, an independent third party

By order of the Board
BAIOO Family Interactive Limited
DAI Jian
Chairman and Executive Director

Hong Kong, 8 May 2015

As at the date of this announcement, the executive directors of the Company are:

Executive Directors:

Mr. DAI Jian (*Chairman*)

Mr. WU Lili

Mr. LI Chong

Mr. WANG Xiaodong

Non-executive Director:

Mr. Ji Yue

Independent Non-executive Directors:

Ms. LIU Qianli

Mr. WANG Qing

Mr. MA Xiaofeng