

**BAIOO FAMILY INTERACTIVE LTD:  
KIDS STUFF ... ABSOLUTE KIDS STUFF !**

BAIOO Family Interactive Ltd () (Code: 2100, Main Board, The Stock Exchange of Hongkong Ltd) is an online, entertainment company, designed, especially, for the children of the People's Republic of China (PRC).

It is pitching a Global Offering of 706,106,000, \$US0.0000005 Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK2.00 to a high of \$HK2.60.

The Company is just six years old and, in the 2013 Financial Year, ended December 31, it reported a Loss Attributable to Shareholders of about 20.22 million renminbi, erasing all of the Net Profits of the past few Years, aggregating just 9 million renminbi.

**The Business**

The business of BAIOO is described at Page 114 of the Global Offering Prospectus as being the PRC's '*largest online entertainment destination designed for children*'.

It is claimed that the Company has captured more than 40 percent of the market share in terms of children's web-game spending.

The Company, in 2009, '*commenced to engage in online entertainment and fun-learning business for children*', according to Page 102 of the Global Offering Prospectus.

The Company's headquarters are located in Guangzhou, the PRC.

On November 10, 2009, the Sequoia Group – Sequoia Capital China II L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. – decided to jump aboard what it determined was the fast-moving, kids' company, putting \$US3.25 million on the table in order to obtain a 20-percent stake in BAIOO.

The Sequoia funds were used for Working Capital purposes, business expansion, and cost and expenses in relation to the purchase of Altratek Ltd by BAIOO, the Prospectus states.

Altratek Ltd is part of a smallish group of companies that is engaged in telecommunication engineering services and it was controlled, at the time of its purchase, by the Founders of BAIOO, namely:

Mr Dai Jian ()  
Mr Kan Wei ()

Mr Wu Li Li ()  
Mr Li Chong ()

BAIOO agreed to pay 12,367,900 renminbi in order to take this group into its fold.

Today, BAIOO describes its business in an '**OVERVIEW**', found at Page 114 of the Prospectus:

*'We are China's largest online entertainment destination designed for children as measured by revenue in 2013, according to the iResearch Report. We were the number one children's web game*

*developer in China in 2013 with over 40% market share in terms of children's web game spending, according to the same source.*

*'Our web portal page, 100bt.com, serves as a platform focused on children of ages six through fourteen, allowing them to explore our virtual worlds, purchase our virtual currency, interact with other users, access our e-learning and cartoon products and communities, and participate in a variety of other activities. Through 100bt.com, users can register and use a single account, represented by a unique "Duoduo" ID, to access all of our products and services.*

*'Since we commenced our operations, we have developed, commercially launched and currently operate six virtual worlds, namely, Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi and Clashes of Aoqi, using our evolutionary and user-driven product development and operation model that has become one of the core components of our success. All five of our virtual worlds in commercial operation in full year 2013 ranked among the top 12 web games for children in China as measured by Baidu search index, according to the iResearch Report. These virtual worlds have won various industry awards and gained strong brand awareness and loyalty among children in China. Our average quarterly active user accounts increased from 24.2 million in 2011 to 40.9 million in 2012 and 58.8 million in 2013.*

*'We are passionate about bringing joy to children and help them learn while having fun. Our content is designed first and foremost for children. Through our years of operation, we have gained significant knowledge and an in-depth understanding of children's behavior and needs. Additionally, under our evolutionary and user-driven model, we release weekly episodes for each of our virtual worlds to engage users and increase stickiness, mitigating the life cycle issues typically faced by traditional online game developers. At the same time, we are able to reduce investment risk by gradually scaling up resources committed in product development and maximize our content success rate.'*

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