
THIS SUPPLEMENTARY CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in BAIIO Family Interactive Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**SUPPLEMENTARY CIRCULAR TO SHAREHOLDERS RELATING TO
THE PROPOSED AMENDMENTS TO THE POST-IPO RSU SCHEME
AND
THE PROPOSED SPECIFIC MANDATE TO ISSUE SHARES
UNDER THE AMENDED POST-IPO RSU SCHEME**

This supplementary circular should be read together with the circular issued by the Company to the shareholders of the Company dated 24 April 2015 (the “**Circular**”) and the notice convening an annual general meeting of the Company to be held at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong at 3:00 p.m. on Friday, 19 June 2015 (the “**AGM**”). A supplementary notice of the AGM (the “**Supplementary Notice of AGM**”) and a revised form of proxy (the “**Revised Proxy Form**”) are also enclosed with this supplementary circular for use at the AGM. The Supplementary Notice of AGM and the Revised Proxy Form are also published on the website of The Stock Exchange of Hong Kong Limited at (www.hkexnews.hk) and the Company (www.baioo.com.hk).

The notice of the AGM despatched with the Circular is amended by the Supplementary Notice of AGM. The form of proxy despatched with the Circular is superseded by the Revised Proxy Form enclosed herewith. Whether or not you propose to attend and vote at the AGM, please complete and sign the enclosed Revised Proxy Form in accordance with the instructions printed thereon and return it to the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the Revised Proxy Form will not preclude you from attending and voting in person at the AGM should you so desire. If you attend and vote at the AGM, the Revised Proxy Form will be revoked.

14 May 2015



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)

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

Registered Office:

Hutchins Drive
Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

Head Office:

10G, No. 36 Jianzhong Road
Tianhe Software Park
Tianhe District
Guangzhou
Guangdong
PRC

Principal Place of Business in

Hong Kong:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

14 May 2015

To the Shareholders

Dear Sir/Madam,

**SUPPLEMENTARY CIRCULAR TO SHAREHOLDERS RELATING TO
THE PROPOSED AMENDMENTS TO THE POST-IPO RSU SCHEME
AND
THE PROPOSED SPECIFIC MANDATE TO ISSUE SHARES
UNDER THE AMENDED POST-IPO RSU SCHEME**

INTRODUCTION

This supplementary circular should be read together with the Circular which contains, among others, information relating to the proposed amendments to the Post-IPO RSU Scheme of the Company to be resolved by shareholders at the AGM. Unless the context otherwise requires, capitalised terms used herein shall bear the same meanings as defined in the Circular.

LETTER FROM THE BOARD

The purpose of this supplementary circular is to provide you with further information relating to the proposed amendments to the Post-IPO RSU Scheme of the Company, the Supplementary Notice of AGM and the Revised Proxy Form.

Background for Changes to the Post-IPO RSU Scheme

The Company was listed on the Main Board of the Stock Exchange on 10 April 2014. The Post-IPO RSU Scheme was approved by the Shareholders of the Company on 18 March 2014 and took effect on 10 April 2014, pursuant to which, the total number of Shares underlying the RSUs that may be granted under the Post-IPO RSU Scheme was initially 56,488,440 Shares, representing 2% of the total number of Shares in issue on the Listing Date, or the Scheme Mandate Limit, which is subject to annual refreshment by shareholder approval. As of the Latest Practicable Date, no RSU awards had been granted under the Post-IPO RSU Scheme.

The Post-IPO RSU Scheme is the only share-based incentive scheme that the Company has in place to incentivize its employees after its listing. Given that the Company is one of China's largest online entertainment destinations designed for children while such industry is becoming increasingly competitive in attracting talents and the base of the Company's own talent pools continues to grow, there is a pressing need for the Company to grant RSUs to incentivize its employees and to align their interest with that of the Company. The Post-IPO RSU Scheme may also assist the Company in retaining the management of potential targets in case of any mergers and acquisitions situations.

In addition, as the Company considers that this plan is to incentivize its employees and officers, the Board proposes that the Directors should be excluded from eligible persons to the Post-IPO RSU Scheme.

Given this background, subject to shareholders' approval, the Company proposes to make the following changes to its Post-IPO RSU Scheme:

- (a) to amend the definition of "eligible person(s)" in the Post-IPO RSU Scheme to exclude any of the Directors of the Company;
- (b) to increase the Scheme Mandate Limit from 2% of the number of shares of the Company in issue on the Listing Date to 4% of the Company's issued share capital as of the approval date, which will give the Company more flexibility to grant RSUs to its employees including recent hires, subject to certain vesting schedules, so as to keep the Company competitive in recruiting talents; and
- (c) to grant the Board a specific mandate of issuance of new shares up to 4% of the issued share capital of the Company, with a 2% annual limit, as of the date of approval, which underlie the RSUs to be granted under the Post-IPO RSU Scheme.

LETTER FROM THE BOARD

Proposed Amendments to the Post-IPO RSU Scheme

To allow the Board to have more flexibility in incentivizing employees, the Board proposes to increase the Scheme Mandate Limit. Accordingly, the following amendments to the Post-IPO RSU Scheme are proposed:

(1) Clause 1.1

The definition of “Eligible Person(s)” in Clause 1.1 is proposed to be amended and replaced in its entirety as follows:

“means person(s) eligible to receive Awards under this Scheme, who could be existing employees or officers of the Company, PRC Operational Entity or other companies in the Group, or any other person selected by the Board or the Remuneration Committee at its sole discretion from time to time, however, shall not be directors of the Company.”

Other than the above, all the other definitions in Clause 1.1 shall remain unchanged.

(2) Clause 4.1

Clause 4.1 is proposed to be amended and replaced in its entirety as follows:

“4.1 Scheme Mandate Limit

Subject to Section 4.2 below, no Award shall be granted pursuant to the Scheme if as a result of such grant (assumed accepted), the aggregate number of Shares underlying all grants made pursuant to the Scheme (excluding Awards that have lapsed or been cancelled in accordance with the rules of the Scheme) shall exceed 4% of the number of Shares in issue as of the date of approval by the Shareholders (the “Scheme Mandate Limit”).”

(3) Clause 4.2

Clause 4.2 is proposed to be amended and replaced in its entirety as follows:

“4.2 Renewal of Scheme Mandate Limit

The Scheme Mandate Limit may be refreshed from time to time subject to prior approval from the shareholders of the Company, but in any event the total number of Shares that may underlie the Awards granted following the date of approval of the refreshed limit (the “New Approval Date”) under the limit as refreshed from time to time must not exceed 4% of the number of Shares in issue as of the New Approval Date. Shares underlying the Awards granted under the Scheme (including those outstanding, cancelled or vested Awards) prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares that may underlie the Awards granted following the New Approval Date.”

Save and except the above proposed amendments to Clause 4.1 and Clause 4.2, all principal terms of the Post-IPO RSU Scheme shall remain unchanged. Summaries of the terms of the Post-IPO RSU Scheme have been disclosed in the sections headed “Statutory and General Information — Post-IPO RSU Scheme” in Appendix IV to the Prospectus.

LETTER FROM THE BOARD

Proposed Grant of Specific Mandate to Issue Shares under the Amended Post-IPO RSU Scheme

For the purpose of the amended Post-IPO RSU Scheme, the Company may issue Shares up to the maximum number of RSUs to be granted under the Scheme Mandate Limit. A specific mandate is proposed to be granted to the Board to issue, allot and deal with Shares not exceeding 4% of the total number of issued shares of the Company as at the date of shareholder approval of the above amendments to the Post-IPO RSU Scheme. In addition, the total number of Shares that could be issued under such specific mandate in any financial year shall not exceed 2% of the total issued share capital. Subject to the approval of the specific mandate at the AGM, an application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, any Shares issued and allotted pursuant to the specific mandate which may fall to be issued by the Company pursuant to the Post-IPO RSU Scheme.

Shares issued under the Post-IPO RSU Scheme shall rank *pari passu* among themselves and with the existing ordinary shares of the Company in issue at the date of the allotment of the new Shares. Such specific mandate shall be valid for one year following the date of shareholder approval and subject to annual refreshment by shareholders. Shareholders who are beneficiaries shall abstain from voting.

Dilution Effect on Shareholding of the Company

Assuming the Scheme Mandate Limit is increased to 4% of the number of Shares in issue as of the date of shareholder approval, if immediately afterwards, all Shares underlying the RSUs which may be granted under the amended Post-IPO RSU Scheme are issued, these Shares will account for approximately 3.8% of the enlarged share capital of the Company. Assuming a total number of Shares up to the 2% annual limit are issued in the next financial year, without taking consideration of any other change in the total number of Shares in issue, these Shares will account for approximately 2% of the enlarged share capital of the Company as at the end of the next financial year.

As of the date of this circular, the number of Shares in issue is 2,810,342,000. Assuming that there will be no change in the number of issued Shares between the date of this circular and the date of shareholders' approval of the above amendments to the Post-IPO RSU Scheme, the 2% annual limit will represent 56,206,840 Shares.

A copy of the Post-IPO RSU Scheme with the above proposed amendments incorporated is available for inspection at the principal place of business of the Company in Hong Kong for a period of 14 days before the date of the AGM and at the AGM.

The remuneration committee of the Board has reviewed and agreed with the proposed amendments to the Post-IPO RSU Scheme.

Potential Beneficiaries Shall Abstain from Voting

Any potential beneficiaries shall abstain from voting on resolutions relating to amendments on clause 4.1 and clause 4.2 of the Post-IPO RSU Scheme and the grant of specific mandate of share issue to the Board for up to 4% of the issued share capital of the Company. As of the date of this circular, to the best knowledge of the Directors, other than a number of employees and officers of the Group who may be granted RSUs under the Post-IPO RSU Scheme, no Shareholder has been identified as a potential beneficiary. Those employees and officers of the Group shall abstain from voting on resolutions relating to amendments on clause 4.1 and clause 4.2 of the Post-IPO RSU Scheme and the grant of specific mandate of share issue to the Board for up to 4% of the issued share capital of the Company at the AGM.

LETTER FROM THE BOARD

SUPPLEMENTARY NOTICE OF AGM

As a result of the supplementary circular, subsequent to the dispatch of the Circular containing the notice of AGM (the “**Notice of AGM**”), a supplementary notice of AGM (the “**Supplementary Notice of AGM**”) has been prepared and is enclosed with this supplementary circular.

REVISED PROXY FORM

As a result of the supplementary circular subsequent to the dispatch of the Circular containing the notice of AGM and accompanying form of proxy (the “**Proxy Form**”), a new form of proxy (the “**Revised Proxy Form**”) has been prepared and is enclosed with this supplementary circular.

RECOMMENDATION

The Directors consider that the proposed amendments to the Post-IPO RSU Scheme are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the relevant resolutions to be proposed at the AGM.

Yours faithfully,
For and on behalf of the Board
BAIOO Family Interactive Limited
DAI Jian
Chairman and Executive Director

A Shareholder who has not yet lodged the Proxy Form with the Company's share registrar in Hong Kong is requested to lodge the Revised Proxy Form with the instructions printed thereon. In this case, the Proxy Form should not be lodged with the Company's share registrar in Hong Kong.

A Shareholder who has already lodged the Proxy Form with the Company's share registrar in Hong Kong should note that:

- (i) If no Revised Proxy Form is lodged with the Company's share registrar in Hong Kong, the Proxy Form, if correctly completed, will be treated as a valid proxy form lodged by the Shareholder. The proxy so appointed by the Shareholder will be entitled to vote at his discretion or abstain on any resolution properly put to the AGM other than those referred to in the notice of AGM, as supplemented by the supplementary notice of AGM, and the Proxy Form, as revised by the Revised Proxy Form.
- (ii) If the Revised Proxy Form is lodged with the Company's share registrar in Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof, the Revised Proxy Form, if correctly completed, will be treated as a valid proxy form lodged by the Shareholder and will revoke and supersede the Proxy Form previously lodged by him.
- (iii) If the Revised Proxy Form is lodged with the Company's share registrar in Hong Kong less than 48 hours before the time appointed for holding the AGM or any adjournment thereof, or if lodged not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof but is incorrectly completed, the Revised Proxy Form will be invalid and in the latter case, the validity of the Revised Proxy Form will be subject to the discretion of the board of Directors. Whether or not the Revised Proxy Form is valid, it will revoke the Proxy Form previously lodged by the shareholder of the Company, and any vote that may be cast by the purported proxy appointed under the Proxy Form will not be counted in any poll which may be taken on a proposed resolution. **Accordingly, shareholders of the Company are advised to complete the Revised Proxy Form carefully and lodge the Revised Proxy Form not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.** If such shareholders of the Company wish to vote at the AGM, they will have to attend in person and vote at the AGM themselves.

Shareholders are reminded that completion and delivery of the Proxy Form and/or the Revised Proxy Form will not preclude Shareholders from attending and voting at the AGM or any adjourned meeting should they so wish.

SUPPLEMENTARY NOTICE OF ANNUAL GENERAL MEETING



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)

SUPPLEMENTARY NOTICE OF ANNUAL GENERAL MEETING

Reference is made to the notice of the annual general meeting of BAIOO Family Interactive Limited (the “**Company**”) dated 24 April 2015 (the “**AGM Notice**”). As set out in the AGM Notice, the board of directors (the “**Board**”) of the Company resolved to propose the ordinary resolutions contained in the Notice at the AGM to be held at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong at 3:00 p.m. on Friday, 19 June 2015 for its shareholders’ consideration and approval.

Reference is also made to the Company’s Supplementary Circular dated 14 May 2015 in relation to the proposed amendments to the Post-IPO RSU Scheme of the Company.

SUPPLEMENTARY NOTICE IS HEREBY GIVEN that:

(A) Resolution No. 8 in the AGM Notice is proposed to be amended and replaced in its entirety as follows:

“8. To consider and, each as a separate resolution, if thought fit, pass with or without amendments, the following resolutions:

“THAT the adoption of the amendment to the Post-IPO RSU Scheme which was conditionally adopted by the Company on 18 March 2014 and took effect on 10 April 2014 and replacement to the entirety of the following clauses be and is hereby authorized to do all acts and things necessary to carry out such amendment and modification:

(a) the definition of “Eligible Person(s)” in clause 1.1 as follows be and is hereby approved:

“**Eligible Person(s)** means person(s) eligible to receive Awards under this Scheme, who could be existing employees or officers of the Company, PRC Operational Entity or other companies in the Group, or any other person selected by the Board or the Remuneration Committee at its sole discretion from time to time, however, shall not be directors of the Company.”

SUPPLEMENTARY NOTICE OF ANNUAL GENERAL MEETING

(b) clause 4.1

“4.1 Scheme Mandate Limit

Subject to Section 4.2 below, no Award shall be granted pursuant to the Scheme if as a result of such grant (assumed accepted), the aggregate number of Shares underlying all grants made pursuant to the Scheme (excluding Awards that have lapsed or been cancelled in accordance with the rules of the Scheme) shall exceed 4% of the number of Shares in issue as of the date of approval by the Shareholders (the “**Scheme Mandate Limit**”).”

(c) clause 4.2

“4.2 Renewal of Scheme Mandate Limit

The Scheme Mandate Limit may be refreshed from time to time subject to prior approval from the shareholders of the Company, but in any event the total number of Shares that may underlie the Awards granted following the date of approval of the refreshed limit (the “**New Approval Date**”) under the limit as refreshed from time to time must not exceed 4% of the number of Shares in issue as of the New Approval Date. Shares underlying the Awards granted under the Scheme (including those outstanding, cancelled or vested Awards) prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares that may underlie the Awards granted following the New Approval Date.”

(B) In addition to Resolutions No. 1 to 7 contained in the AGM Notice and Resolution No. 8 as amended above, the following ordinary resolution is proposed by the Board:

“9. Conditional upon the passing of the Resolution No. 8 above, pursuant to the Post-IPO RSU Scheme adopted on 18 March 2014 and amended in accordance with the Resolution No. 8 above, to give a specific mandate to the directors to issue, allot and deal with additional shares of the Company not exceeding 4% of the total number of issued shares of the Company, with a 2% annual limit, as at the date of passing of this resolution and such new Shares shall rank pari passu in all respects among themselves and with the existing ordinary shares of the Company in issue at the date of the allotment of the new Shares.”

For Resolution 8(a), all the Shareholders shall vote but the Directors or their associates shall not vote against such resolution. Any potential beneficiaries shall abstain from voting on Resolutions No. 8(b), 8(c) and 9.

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

Hong Kong, 14 May 2015

SUPPLEMENTARY NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Revised Proxy Form is enclosed with the supplementary circular of the Company dated 14 May 2015. The Proxy Form despatched together with the circular of the Company dated 24 April 2015 is superseded by the Revised Proxy Form.
2. Please refer to the Notice of AGM for details of the other ordinary resolutions to be passed at the AGM, proxy and other relevant matters.
3. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
4. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend and vote instead of him provided that each proxy is appointed to represent the respective number of shares held by the shareholder as specified in the relevant proxy form. A proxy need not be a shareholder of the Company.
5. In order to be valid, the completed form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. For determining the entitlement to attend and vote at the above meeting, the Register of Members of the Company will be closed from Wednesday, 17 June 2015 to Friday, 19 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 16 June 2015.
7. For determining the entitlement to the proposed special dividend (subject to approval by the shareholders at the Annual General Meeting), the Register of Members of the Company will be closed from Thursday, 25 June 2015 to Friday, 26 June 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed special dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 June 2015.