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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)

GRANT OF CONSULTANT OPTIONS UNDER THE SPECIFIC MANDATE

On 20 April 2016 (after trading hours), the Company entered into the Consultancy Agreement with the Consultant, pursuant to which, the Company engaged the Consultant to provide the investor relations services. As a consideration for such services, the Company has agreed to (i) pay a monthly fee of HK\$30,000 during the term of the Consultancy Agreement to the Consultant and (ii) grant the Consultant Options to the Consultant to subscribe for an aggregate of 10,000,000 Shares at the Exercise Price of HK\$0.70 per Share during the Consultant Option Period.

The grant of the Consultant Options is subject to the passing of the proposed ordinary resolution by the Shareholders at the Annual General Meeting to allot and issue new Shares in respect of underlying Consultant Option Shares pursuant to the exercise of the subscription rights attaching to the Consultant Options.

In addition, application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consultant Option Shares that may fall to be issued upon exercise of the Consultant Options under the Specific Mandate.

The Board is pleased to announce that, on 20 April 2016 (after trading hours), the Company entered into the Consultancy Agreement with the Consultant, pursuant to which, the Company engaged the Consultant to provide the investor relations services. As a consideration for such services, the Company has agreed to (i) pay a monthly fee of HK\$30,000 (equivalent to a total amount of HK\$1,080,000) during the term of the Consultancy Agreement to the Consultant and (ii) grant the Consultant Options to the Consultant to subscribe for an aggregate of 10,000,000 Shares at the exercise price of HK\$0.70 per Share during the Consultant Option Period.

CONSULTANCY AGREEMENT

The principal terms of the Consultancy Agreement are summarized as follows:

Date

20 April 2016 (after trading hours)

Parties and Term

(a) the Company; and

(b) the Consultant.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Consultant and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons. Save as disclosed above, there are no other arrangements between the Consultant and the Company and its connected persons. The Consultant is not in possession of information regarding any potential deals or other information about the Company that might crystallize over the exercise period of the Consultant Options.

Pursuant to the Consultancy Agreement, the Consultant is appointed as an investor relations consultant in mainland China to the Company for a term of three years commencing from the date of the Consultancy Agreement to assist the Company in promoting and maintaining the communication and relationship with the investors and financial news media in mainland China. In performing its services under the Consultancy Agreement, the Consultant must not violate any rules and provision in relation to inside information and notifiable transactions under the Listing Rules and the SFO and should not perpetrate any conduct which constitutes market misconduct under the SFO.

Consideration and Grant of the Consultant Options

As a consideration for the Consultant's services, the Company has agreed to (i) pay a monthly fee of HK\$30,000 (equivalent to a total amount of HK\$1,080,000) during the term of the Consultancy Agreement to the Consultant and (ii) grant the Options to the Consultant to subscribe for an aggregate of 10,000,000 Shares at the Exercise Price of HK\$0.70 per Share during the Consultant Option Period. The aggregate of 10,000,000 Option Shares to be issued upon the exercise of the subscription rights attaching to the Consultant Options represent:

(a) approximately 0.35% of the existing issued share capital of the Company as at the date of the Consultancy Agreement; and

(b) approximately 0.35% of the issued share capital of the Company as enlarged by the Consultant Option Shares.

Other Principal Terms of the Options

Issue Price

The Consultant Options are issued at nil cost and as consideration for the services to be provided by the Consultant under the Consultancy Agreement.

Exercise Price

The Exercise Price is HK\$0.70 per Consultant Option Share. The Exercise Price represents:

- (a) a premium of approximately 59.1% to the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on the date of the Consultancy Agreement;
- (b) a premium of approximately 57.0% to the average of the closing prices of approximately HK\$0.446 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Consultancy Agreement; and
- (c) a premium of approximately 53.8% to the average of the closing prices of approximately HK\$0.455 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Consultancy Agreement.

The Exercise Price will be paid to the Company by the Consultant upon exercise of the Consultant Options.

The Issue Price and the Exercise Price were negotiated on an arm's length basis between the Company and the Consultant and was determined with reference to, among other things, the prevailing market price of the Shares, the recent trading volume of the Shares, the duration of the Consultant Option Period and the services to be provided by the Consultant under the Consultancy Agreement.

Consultant Option Period

The Consultant Option Period is a period of three years commencing on the date of granting such Consultant Options, being the date of the Consultancy Agreement, and ending on 19 April 2019. The Options shall be valid during the Consultant Option Period save for certain circumstances prescribed under the Consultancy Agreement.

Conditions

The Company shall issue the Consultant Options upon, among the other matters, the fulfillment of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consultant Option Shares; and

- (b) the passing of the proposed ordinary resolution by the Shareholders at the Annual General Meeting to allot and issue new Shares in respect of underlying Consultant Option Shares pursuant to the exercise of the subscription rights attaching to the Consultant Options.

If such conditions are not fulfilled within three months after the date of the Consultancy Agreement (or such other date as may be agreed between the Company and the Consultant), the Consultancy Agreement shall be terminated and neither the Company nor the Consultant shall have any claim against the other for any costs or losses (save for any prior breaches of the Consultancy Agreement).

Exercise of the Consultant Options

Exercise Period and Exercise Conditions

Subject to the above conditions, the Consultant will be entitled to exercise the Consultant Options (or part thereof) by serving an option exercise notice to the Company together with the Exercise Price payable in respect of the number of Shares to be issued upon exercise of such Consultant Options (or such part thereof), upon the following conditions are met:

- (a) up to 30% of the Consultant Options become exercisable, if at any time during the Consultant Option Period, the market capitalization of the Company exceeds HK\$2.6 billion;
- (b) up to 60% of the Consultant Options become exercisable, if at any time during the Consultant Option Period, the market capitalization of the Company exceeds HK\$3.1 billion; and
- (c) up to 100% of the Consultant Options become exercisable, if at any time during the Consultant Option Period, the market capitalization of the Company exceeds HK\$3.7 billion.

Basis for determining the terms of the Consultant Options

The number of Consultant Option Shares to be granted and the Exercise Price were determined based on arm's length negotiations between the parties, with reference to market value for equivalent services and current market price of the Shares. The Consultant Option Period was determined with reference to the service terms (three years) under the Consultancy Agreement and the exercise conditions were determined based on, among other things, the current capital market trends and the Company's long-term and mid-term goals.

Specific Mandate

A resolution will be proposed at the Annual General Meeting to give the Directors a specific mandate to allot and issue the Consultant Option Shares to the Consultant pursuant to the exercise of the subscription rights attaching to the Consultant Options as fully paid Shares. The Annual General Meeting will be held to consider and, if though fit, pass the requisite resolutions to approve, among other things, the Consultancy Agreement and the transactions contemplated thereunder including the Specific Mandate for the grant of the Consultant Options and for the allotment and issue of the Consultant Option Shares.

The Company had considered the circumstances that the granting of the Specific Mandate may not be approved by the Shareholders at the Annual General Meeting. In the event that the proposed Specific Mandate is not approved by the Shareholders at the Annual General Meeting, the Company and the Consultant will explore other performance based consideration for the Consultant's services provided pursuant to the Consultancy Agreement. The revised consideration term will be announced by the Company after it has been agreed with the Consultant.

Ranking of the Consultant Option Shares

The Consultant Option Shares, when issued and allotted, shall rank *pari passu* in all respects among themselves and with all other Shares in issue on the date of the issue and allotment of the Consultant Option Shares and will accordingly entitle the Consultant to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant day on which the Consultant Option(s) are duly exercised other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor shall be before the relevant exercise date.

Rights to Participate in Distributions and/or Offers of further Securities

The Consultant does not have any right under the Consultancy Agreement to participate in any distributions and/or offers of further securities made by the Company before the exercise of the Consultant Options.

Transferability

The Consultant Options shall be fully assignable by the Consultant to any party. In the event of a transfer of the Consultant Options to a connected person of the Company, prior approval from the Company shall be obtained.

Voting

The holder of the Consultant Options will not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Consultant Option and will not be entitled to receive notice of any meetings of the Company.

Adjustment

If the Shares by reason of any consolidation or sub-division become of a different nominal amount whilst any Consultant Option is outstanding, such corresponding adjustments (if any) shall be made to:

- (a) the number or nominal amount of the Consultant Option Shares then remaining subject to the Consultant Options so far as unexercised, or
- (b) the Exercise Price,

or any combination thereof, provided that any such adjustments should give the Consultant the same proportion of the equity capital of the Company as that to which the Consultant was previously entitled.

Rights of the Option holders on the liquidation of the Company

If the Company is wound up during the Consultant Option Period, the Consultant Options shall lapse, save for in the event of a voluntary winding-up, the holder of the Consultant Options shall be entitled to exercise the Consultant Options no later than two business days prior to the proposed general meeting of the Company for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company.

Use of Proceeds

The gross proceeds of the Consultant Option Shares upon the exercise in full will be HK\$7.0 million. The net proceeds (after deducting all applicable costs and expenses) of approximately HK\$7.0 million from the Consultant Option Shares are intended for general working capital purposes of the Group.

Application for Listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consultant Option Shares that may fall to be issued upon exercise of the Consultant Options.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY

The Company has not raised any fund in the twelve months immediately preceding the date of this announcement.

REASONS FOR ENTERING INTO THE CONSULTANCY AGREEMENT

The Directors consider that the purpose of compensating the Consultant in the form of the Consultant Options is to put the interests of the Consultant in line with the future share price performance of the Company, which, to certain extent, ties up with the quality and successfulness of the services provided by the Consultant to the Company.

Accordingly, the Directors are of the view that the terms of the Consultancy Agreement and the Exercise Price, which were arrived at after arm's length negotiation between the Company and the Grantee, are fair and reasonable based on the current market conditions and the entering into of the Consultancy Agreement is in the interests of the Company and the Shareholders of the Company as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,858,772,000 Shares in issue. For illustration purpose only, the shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consultant Option Shares in full are as follows:

	As at the date of this announcement		Immediately after allotment and issue of Option Shares in full ⁽⁶⁾	
	Number of Shares	Approximate Percentage	Number of Shares	Approximate Percentage ⁽⁶⁾
Shareholders				
Stmoritz Investment Limited ⁽¹⁾	749,460,000	26.22%	749,460,000	26.12%
Bright Stream Holding Limited ⁽²⁾	447,112,000	15.64%	447,112,000	15.59%
LNZ Holding Limited ⁽³⁾	203,304,000	7.11%	203,304,000	7.09%
Angel Wang Holding Limited ⁽⁴⁾	74,544,000	2.61%	74,544,000	2.60%
Directors ⁽⁵⁾	40,600,000	1.42%	40,600,000	1.42%
The Consultant	—	—	10,000,000	0.35%
Public Shareholders	1,343,752,000	47.00%	1,343,752,000	48.84%
Total	<u>2,858,772,000</u>	<u>100.00%</u>	<u>2,868,772,000</u>	<u>100.00%</u>

Notes:

- 1 The entire share capital of Stmoritz Investment Limited is wholly-owned by DAE Holding Investments Limited and ultimately owned by TMF (Cayman) Ltd. as the trustee of the DAE Trust, which is a discretionary trust set up by Mr. DAI Jian (“**Mr. DAI**”) on 27 December 2013 for the benefit of himself and his family members, and Mr. DAI is a settlor and protector. Mr. DAI (as founder of the DAE Trust), DAE Holding Investments Limited and TMF (Cayman) Ltd. are taken to be interested in 749,460,000 Shares held by Stmoritz Investment Limited (without taking into account any Shares to be issued upon exercise of any share options under the Pre-IPO Share Option Scheme and pursuant to the Post-IPO RSU Scheme) pursuant to Part XV of the SFO. Mr. DAI is the chairman of the Board and an executive Director.
- 2 The entire share capital of Bright Stream Holding Limited is wholly-owned by WHEZ Holding Ltd. and ultimately owned by TMF (Cayman) Ltd. as the trustee of the WHZ Trust, which is a discretionary trust set up by Mr. WU Lili (“**Mr. WU**”) on 27 December 2013 for the benefit of himself and his family members, and Mr. WU is a settlor and protector. Mr. WU (as founder of the WHZ Trust), WHEZ Holding Ltd. and TMF (Cayman) Ltd. are taken to be interested in 447,112,000 Shares held by Bright Stream Holding Limited (without taking into account any Shares to be issued upon exercise of any share options under the Pre-IPO Share Option Scheme and pursuant to the Post-IPO RSU Scheme) pursuant to Part XV of the SFO. Mr. WU is an executive Director.
- 3 The entire share capital of LNZ Holding Limited is owned by Golden Water Management Limited, which is wholly owned by TMF (Cayman) Ltd. as the trustee of The Zhen Family Trust, which is a discretionary trust set up by Mr. LI Chong (“**Mr. LI**”) on 27 December 2013 for the benefit of himself and his family members, and Mr. LI is a settlor and protector. Mr. LI (as founder of The Zhen Family Trust), Golden Water Management Limited and TMF (Cayman) Ltd. are taken to be interested in 203,304,000 Shares held by LNZ Holding Limited (without taking into account any Shares to be issued upon exercise of any share options under the Pre-IPO Share Option Scheme and pursuant to the Post-IPO RSU Scheme) pursuant to Part XV of the SFO. Mr. LI is an executive Director.

- 4 The entire share capital of Angel Wang Holding Limited is owned by Charlotte Holding Limited, which is wholly owned by TMF (Cayman) Ltd. as the trustee of the WSW Family Trust, which is a discretionary trust set up by Mr. WANG Xiaodong (“Mr. WANG”) on 27 December 2013 for the benefit of himself and his family members, and Mr. WANG is a settlor and protector. Mr. WANG (as founder of the WSW Family Trust), Charlotte Holding Limited and TMF (Cayman) Ltd. are taken to be interested in 74,544,000 Shares held by Angel Wang Holding Limited (without taking into account any Shares to be issued upon exercise of any share options under the Pre-IPO Share Option Scheme and pursuant to the Post-IPO RSU Scheme) pursuant to Part XV of the SFO. Mr. WANG is an executive Director.
- 5 Each of Mr. DAI (an executive Director), Ms. LIU Qianli, Dr. WANG Qing and Mr. MA Xiaofeng (each an independent non-executive Director) is interested in 10,000,000, 200,000, 200,000 and 200,000 RSUs granted to him/her under the Pre-IPO RSU Scheme entitling him/her to receive 10,000,000, 200,000, 200,000 and 200,000 Shares subject to vesting, respectively. In addition, Dr. XU Gang, an executive Director, is interested in 30,000,000 RSUs granted to him under the Post-IPO RSU Scheme entitling him to receive 30,000,000 Shares subject to vesting.
- 6 Assuming that there is no change in the issued share capital of the Company from the date of this announcement up to the date of allotment and issue of Consultant Option Shares in full.

ISSUE OF CONSULTANT OPTION SHARES

Pursuant to Rule 15.02(1) of the Listing Rules, the Consultant Option Shares to be issued upon exercise of the Consultant Options must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20.0% of the issued share capital of the Company at the time the Consultant Options are granted. Options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the date of this announcement, there were outstanding Options granted under the Pre-IPO Share Option Scheme to subscribe for 2,440,000 Shares and outstanding RSUs granted under the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme in respect of 53,081,950 Shares and 86,000,000 Shares, respectively.

The new Shares which will be issued upon full exercise of the Consultant Options and the outstanding Options under the Pre-IPO Share Option Scheme and upon full vesting of the outstanding RSUs under the Pre-IPO RSU Scheme and Post-IPO RSU Scheme are 151,521,950 Shares, which is less than 20% of the issued share capital of the Company as at the date of this announcement. Accordingly, the issue of the Consultant Options is in compliance with Rule 15.02(1) of the Listing Rules.

ANNUAL GENERAL MEETING

The Annual General Meeting will be convened for the purpose of allowing the Shareholders to consider and, if though fit, pass the requisite resolutions to approve, among other things, the Consultancy Agreement and the transactions contemplated thereunder including the Specific Mandate for the grant of the Consultant Options and for the allotment and issue of the Consultant Option Shares.

A circular containing, among other things, details of (i) the terms of the grant of the Consultant Options; and (ii) further information of the Specific Mandate, together with a notice of the Annual General Meeting, will be despatched to the Shareholders in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them:

“Annual General Meeting ”	the annual general meeting of the Company be convened for the purpose of allowing the Shareholders to consider and, if though fit, pass the requisite resolutions to approve, among other things, the Consultancy Agreement and the transactions contemplated thereunder including the Specific Mandate for the grant of the Consultant Options and for the allotment and issue of the Consultant Option Shares
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise, excluding Hong Kong, Macau and Taiwan
“Company”	BAIOO Family Interactive Limited (百奧家庭互動有限公司), formerly known as Baitian Information Limited, Baitian Family Interactive Limited (百田家庭互動有限公司) and BYO Family Interactive Limited (百奧家庭互動有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2009, with its Shares listed on the Main Board of the Stock Exchange since the Listing Date
“connected person(s)”	has the same meaning as defined in the Listing Rules
“Consultancy Agreement”	the agreement dated 20 April 2016 entered into between the Company and the Consultant
“Consultant”	Hong Kong Zhixin Financial News Agency Limited (香港智信財經通訊社有限公司), a company incorporated under the laws of Hong Kong and principally engaged in providing investor relations services
“Consultant Options”	the options granted by the Company to the Consultant attached with it the rights to subscribe for the Consultant Option Shares at the Exercise Prices during the Consultant Option Period pursuant to the Consultancy Agreement
“Consultant Option Period”	the period of three years from the date of granting the Consultant Options, being the date of the Consultancy Agreement
“Consultant Option Shares”	an aggregate of up to 10,000,000 Shares to be allotted and issued by the Company pursuant to the Consultant Options

“Director(s)”	the director(s) of the Company
“Exercise Price”	HK\$0.70 per Consultant Option Share
“Group”	the Company, its subsidiaries and the PRC operating entity (the financial results of which have been consolidated and accounted for as a subsidiary of the Company by virtue of the contractual arrangements)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Price”	the price for the issue of the Consultant Options, which is nil
“Listing Committee”	has the same meaning as defined in the Listing Rules
“Listing Date”	10 April 2014, being the date of the listing of the Company’s Shares on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option(s)”	an option or right to purchase Shares under the Pre-IPO Share Option Scheme
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on 18 March 2014, which took effect on the Listing Date and was amended on 19 June 2015. Details of the Post-IPO RSU Scheme and RSUs granted thereunder are set out in the prospectus of the Company dated 28 March 2014, and the 2013 and 2014 annual reports of the Company, the circular of the Company dated 24 April 2015 and the supplementary circular of the Company dated 14 May 2015
“Pre-IPO RSU Scheme”	the restricted share unit plan approved and adopted by the Company on 30 September 2013
“Pre-IPO Share Option Scheme”	the share option plan approved and adopted by the Company on 18 June 2010, details of which are set out in the prospectus of the Company dated 28 March 2014
“RSU(s)”	restricted share unit(s), being a contingent right to receive Shares which is granted pursuant to the Pre-IPO RSU Scheme and/or the Post-IPO RSU Scheme

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Share(s)”	ordinary share(s) of US\$0.0000005 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	a specific and unconditional mandate proposed to be granted to the Directors by the Shareholders at the Annual General Meeting to allot and issue new Shares in respect of underlying Consultant Option Shares pursuant to the exercise of the subscription rights attaching to the Consultant Options as fully paid Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the same meaning as defined in the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

On behalf of the Board
BAIOO Family Interactive Limited
DAI Jian
Chairman

Hong Kong, 20 April 2016

As at the date of this announcement, the executive directors of the Company are Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, Mr. WANG Xiaodong and Dr. XU Gang; the independent non-executive directors of the Company are Ms. LIU Qianli, Dr. WANG Qing and Mr. MA Xiaofeng.