

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



China Parenting Network Holdings Limited

中國育兒網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8361)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of the Company dated 3 July 2018 (the “**Announcement**”) in relation to (i) discloseable transaction in relation to the subscription of 18% of the enlarged issued share capital of the Target Company and (ii) change of use of proceeds. Capitalized terms used in this announcement shall have the same meanings as defined in the Announcement unless otherwise stated.

The Company would like to provide following updates and supplementary information in relation to the Announcement:

The Subscription

1. As the Target Company is a newly incorporated company, the Subscription Price of HK\$50,000,000 was determined by the Board in accordance with the Internet industry practice mainly based on the followings:
 - (i) valuation of the expected future total revenue and total valuation of the projects to be commenced by the Target Company based on market approach. The estimated revenue and valuation of the Target Company for the coming three years are arrived at with reference to the expected market size, user volume, customer unit price and revenue model of the Target Company. The significant increase in the estimated revenue of the Target Company in 2020 and 2021 is mainly due to the proposed acquisition of technical reserves and the expected expansion of the market size of the Target Company;
 - (ii) the negotiations between Star Universal and the Target Company, including the synergies of the business development direction of the Target Company and the Group’s business; and
 - (iii) the comparison of existing similar targets in the industry and market. In selecting target companies, the Directors evaluated and compared the current technology and technology development direction, team, market size, research and development schedule, the estimated revenue and valuation.

Based on the evaluation of the Company, the total revenue of the Target Company will be HK\$384,405,000 for 2021 (being the third year after the Subscription), and 20% of which will be HK\$76,881,000. The price-to-sales ratio based on a valuation of HK\$400 million will be 5.2 times. The current average price-to-sales ratio of Internet Software and Services of SP500 GICS is 7.44 times. The Directors consider that even if revenue is based on the current estimation of 20%, the valuation of the Target Company would still reach around HK\$400 million according to the market approach, and it is in line with market conditions.

The results of valuation of the Target Company conducted by the Company according to the market approach is HK\$382.98 million (third year after the Subscription). The planned investment amount for project research and development would be HK\$50 million, and shares with an aggregate value of HK\$68.94 million would be issued for the subscription of 18% equity interest according to the valuation results. After negotiations between both parties, the Target Company has agreed, as per the request of the Company, that the Company would subscribe for 18% equity interest of the Target Company for a consideration of HK\$50 million. It is agreed in the contractual terms that the Company's shareholding in the Target Company would increase to 36% as compensation made by the other party to the Company in case the valuation of the Target Company does not reach HK\$400 million by the end of 2021 (being the third year after the Subscription).

2. According to the estimates on revenue and valuation of the Target Company, the Target Company will grow rapidly in the coming three years.

The revenue of the Target Company will be mainly derived from transaction commission splits generated from its self-developed and operated platform, income generated from its self-operated projects and service fees generated from provision of technical services to third-parties.

The Group will create the following major synergies through investment and strategic cooperation with the Target Company:

- (i) The Group will be authorized to use the Target Company's current research and development technology to enhance the Group's technical standards and to provide users with smarter, safer and more convenient services, thus bringing better user experience, building more service application scenarios and expanding the types of service being offered.
- (ii) The cross-border segmentation services provided by the Target Company's platform will provide new types of services to users of the Group, thus enabling the Company to obtain more commission income. The new services to be provided include but not limited to team teaching, intelligent medical care, new retailing and external technical services. The development areas of the Target Company cover: the application of blockchain technology in cross-border team teaching, cross-border e-commerce and cross-border services, research and development of services for international customers as well as the support for the above-mentioned applications, such as payment technology and public blockchain technology. The Company uses the above technologies to serve existing target groups and customers to achieve its objective of extending services to cross-border sectors.

- (iii) Relevant user data obtained from operation of each platform of the Target Company would be shared with the Group, which will be beneficial to user behavior analysis.
 - (iv) The internationalization of the business to be commenced by the Target Company and the realization of technology will help the Group to extend its services to cross-border sectors.
3. As at the date of 30 July 2018, the subscription has been completed and the consideration has been paid. Net and total assets of the Target Company up to date of 31 July 2018 are approximately HK\$23,000 and HK\$50,023,000 respectively..
 4. The Group's investment department has conducted an assessment and due diligence review on the projects of the Target Company since April 2018. Investment team members of the Group include the Company's chief executive officer, chief financial officer, marketing director, technical director and operation director. After obtaining opinions from industry experts, financial advisors as well as analysts from the Silicon Valley, the United States, the investment team mainly used the estimated revenue of the Target Company in accordance with industry practice. The estimated revenue is arrived based on the analysis on market demand, industry development, the realization of technology and the Company's experience gained from the industry. In June 2018, the estimated revenue and valuation are arrived by the Company and the Target Company. Such valuation results are derived from the valuation conducted by the Company.

The investment team members of the Company have extensive experience in the Internet industry, and have insights on the future development of the relevant research and development of technology as well as business operation models. They also have past experience in the Company's investment and financing decisions. Although the Company does not have sufficient blockchain business research and development capabilities at this stage, the Directors believe that the investment team of the Company could make a reasonable assessment of the project.

The investment team members of the Company comprise the followings:

- (a) Mr. Cheng Li, aged 35, is an executive director, chief executive officer and compliance officer of the Company. Mr. Cheng is responsible for management of the day-to-day operations of the Group. Mr. Cheng joined the Group in April 2005. Mr. Cheng has more than 10 years of working experience in the information technology industry. Mr. Cheng obtained a bachelor degree in management majoring in e-commerce in June 2006 from Southeast University (東南大學) in the PRC. He obtained his Master of Business Administration degree from China Europe International Business School in November 2017.
- (b) Mr. Zhang Lake Mozi, aged 32, is an executive director and the chief financial officer of the Company. Mr. Zhang is responsible for management of finance and investors' relationship of the Group. Mr. Zhang is currently a director of CHINA MA Investment Limited (香港中馬投資有限公司) which he co-founded in August 2012. From February 2011 to August 2012, Mr. Zhang worked as a marketing

director in Beijing Xuyihe Culture Media Co., Ltd. (北京旭羿和文化傳媒有限公司). Mr. Zhang obtained a bachelor degree of arts majoring in economics and minoring in mathematics from the University of Alberta in Canada in June 2009.

- (c) Ms. Wei Honghong, aged 32, is the sales director of the Group and is responsible for the overall planning and management of advertising sales and customer services of the Group. Ms. Wei joined the Group in July 2007. Ms. Wei obtained her bachelor degree in management majoring in information management and information system from Nanjing University (南京大學) in the PRC in June 2007.
- (d) Mr. Zheng Chen, aged 29, is the technology director of the Group and is responsible for the planning strategic development and management of the research and development department of the Group. Mr. Zheng joined the Group in June 2012. Mr. Zheng obtained his bachelor degree in engineering majoring in software engineering from Nanjing University (南京大學) in the PRC in June 2012.
- (e) Mr. Dai Weiyang, aged 28, is the product director of the Group and is responsible for planning the product development direction and operation of the business department of the Group. Mr. Dai joined the Group in July 2012. Mr. Dai obtained his bachelor degree in engineering majoring in software engineering in Southeast University (東南大學) in the PRC in June 2013.

- 5. The Original Shareholder, Mr. Terence Choi, is a Canadian Chinese and has over 20 years of experience in cross-border trading. He tapped into the blockchain technology sector since 2014 and has since got in-depth exposure to numerous blockchain teams and projects as well as networking resources of professionals.
- 6. The Group's due diligence review on the Target Company mainly focused on the feasibility study of the projects of the Target Company, including investigations on market expectations and risk factors of each project, interviews with key personnel of each project, testing on the initial progress of projects, and analysis on the estimation of revenue.

Star Universal and the Target Company have agreed that, after the completion of the Subscription, the Target Company is obliged to make semimonthly reports on the progress of the projects and monthly financial reports to Star Universal, so that Star Universal would be able to monitor the implementation of the projects as planned on a continuous basis and control financial risks in a timely manner. The Target Company shall use the proceeds from the Subscription for the purpose of blockchain business only, and the use of the proceeds shall be subject to the approval and review by Star Universal.

- 7. Based on negotiations and the scarcity of blockchain technology related projects and teams, and given the current transaction price, the Original Shareholder did not undertake the relevant buy back obligation of the Target Company under the Subscription Agreement.

As the Target Company is in the start-up period, the ability of the Target Company to execute the buy back obligation is mainly secured by: (i) the smooth development of each project and (ii) the use of the investment fund of the Company by Target Company for blockchain business in a reasonable way. Based on the above, the Company conducted a project evaluation and signed the regulation clause for the use of proceeds.

8. The Group is a vertical online platform for the Children-Babies-Maternity (“**CBM**”) market. Based on its existing core businesses, the Group aims at creating a new mother-child ecosystem with diversified maternal and child services. It also extends the traditional and single maternal and child services to several cross-sector segments including health, education, finance and entertainment by way of investment and strategic cooperation, further expanding the types of family services and customer reach, prolonging user life-cycle, and meeting the increasing long-tail demands from the mother-child groups.

The blockchain technology facilitates the forming of a cross-border and globalized business platform that allows more participants to engage in global economic activities. The development of blockchain technology outpaces the expectation of most experts. 2018 and 2019 can be regarded as the prime time for the blockchain technology to take roots and grow.

In respect of the highly competitive vertical online platform for mother-child markets, the Directors believe that the combination of blockchain technology with the entity economy will have higher growth potential as e-commerce, medical services, financial services and media services are all eligible for deeper combination with the blockchain technology. The investment in a team that has the core blockchain technology and its application will enable the Company to catch up with the latest development of the internet and effectively expand its scope of services.

The project development of the Target Company covers: the application of blockchain technology in cross-border team teaching, cross-border e-commerce and cross-border services, research and development of services for international customers as well as the support for the above-mentioned applications, such as payment technology and public blockchain technology. Apart from the shares of the investee, the Group will be able to acquire the relevant technology available for developing the blockchain-based businesses such as team teaching, intelligent medical care, new retailing and external technical services in future. The Target Company will establish business operations in the United States and Singapore.

9. As disclosed in the Announcement, pursuant to the Subscription Agreement, if the overall valuation of the blockchain business of the Target Company and its associated companies fail to reach HK\$400 million within three years from the date of the Subscription Agreement, the Original Shareholder shall, by way of share transfer at nil consideration, procure the shareholding of Star Universal in the Target Company to increase to 36% of the total issued share capital of Target Company at the relevant time.
- (i) The Company expects upon third year of operation, the realizable value of the Target Company will be higher than the current investment principal and interests. The Company will continue to monitor operation and realization of expected revenue of the Target Company.
 - (ii) Referring to the estimated revenue of the Target Company, development of each projects and the negotiation between both parties, valuation of the Target Company may reach around HK\$400 million based on estimation of 20% minimum revenue for the third year.
 - (iii) The Company has agreed with the Original Shareholder to subscribe for a 18% equity interest which, as a safeguard measure, in case the valuation of the Target Company does not reach HK\$400 million, the Group could increase its shareholding in the Target Company to 36% through transfer from the Original Shareholder for nil consideration so as to fully cover the investment costs and interest. The Company will continue to monitor percentage of shareholdings in the Target Company to ensure possible enforcement of the safeguard measure. Meanwhile, the Company will also fully supervise and consider the operation of the Target Company, and consider the acceptance of the transfer of 18% equity interest as and when necessary.
 - (iv) The Company has no plan to make further investment in the Target Company in the coming three years. The Company is entitled to strictly monitor reasonable utilization of capital by the Target Company. As disclosed in the Company's announcement on 3 July, the valuation of the Target Company of HK\$400 million will be valued by independent third party financial institution within three years. So far the Target Company has not been valued by any third-party investment and financing institutions other than the Company.

Assuming the valuation of the Target Company does not reach HK\$400 million, but given the development of the Target Company will be promising, the increase in shareholding will be beneficial to the Company's equity investment return. On the other hand, assuming the valuation of the Target Company does not reach HK\$400 million, but given the development of the Target Company is unfavorable, the Company will consider whether to accept the increase of shareholding and other measures to reduce loss as and when appropriate. The Company will also fully supervise and consider the operation of the Target Company, and the Company is entitled to strictly monitor reasonable utilization of capital by the Target Company. The Company is therefore in the view that such arrangements are in the interest of the Shareholders as a whole.

10. The Company remains concerned about the development trend of such new technology as blockchain and its impact on the industry. The Original Shareholder tapped into the blockchain technology sector in 2014 and has since got in-depth exposure to numerous blockchain teams and projects as well as networking resources of professional projects and core technical staff. It got acquainted with the Company and has since maintained contact. The Company formulated the preliminary acquisition proposal in December 2017 and started identifying acquisition target. In March 2018, the Company entered preliminary negotiation with the Original Shareholder. Assessment and due diligence review were commenced in April 2018. The Company entered into the Subscription Agreement with the Original Shareholder and the Target Company in July 2018.
11. The Company has no plan to further acquire equity interest of the Target Company within the next three years. Further acquisition will be made depending on the development status, technological research progress of the Target Company and market conditions.
12. The projects of the Target Company are expected to complete research and development in the first half of 2019 and commence operation in the second half of 2019. The major revenue model of the Target Company is:
 - (i) technical service fee: development fee and maintenance fee charged for setting up business platforms for third-party manufacturers;
 - (ii) commission: the Target Company receives certain proportion of commission according the business flow when the third-party manufacturers uses the system or platform of the Target Company to conduct business; and
 - (iii) revenue generated from its self-operations: the Target Company generates revenue from its self-operations by using its own system directly.

The projects of the Target company include the followings:

- (i) cross-border consumer service platform under blockchain
- (ii) cross-border global education platform under blockchain
- (iii) cross-border new retailing platform under blockchain
- (iv) information service and technology trading platform under blockchain
- (v) high-speed cross-chain trading system based on smart contracts
- (vi) blockchain security testing system
- (vii) blockchain-as-a-Service Platform

13. Pursuant to the Subscription Agreement, the Target Company authorizes Star Universal, being the first financier of the Target Company in its infant stage, to use the technology of the Target Company at nil consideration in the course of the Group's existing businesses.
14. The Group has decided not to develop the blockchain technology by itself because at present, the Group does not have adequate professionals and R&D capabilities. Taking into account the costs required for building a workforce developing the relevant technology, the Directors considered that the consideration for the Group to build a new R&D team on its own will be higher than that of investing in an established company. The Target Company will also seek financial support from new investment and financing institutions.

On the other hand, instead of acquisition of interests in companies that have already developed such blockchain technology, the Company decided to invest in the Target Company because:

- (i) through the Subscription, the Company has acquired the blockchain technology and intended for the synergy with the Company's businesses given the higher compatibility of the Target Company's existing blockchain projects;
- (ii) companies in the market that have already developed blockchain technology tend to have high valuations even without steady business; and
- (iii) the blockchain technology keeps evolving and companies that have already developed blockchain technology are not necessarily equipped with the leading technology.

In view of the above, the Group opted for the Target Company which is still in its infant stage, anticipating better return.

Change of Use of Proceeds

1. As disclosed in the Announcement, the Directors decided to adjust the allocation of the Net Proceeds by reallocating (i) HK\$44.8 million originally allocated for strengthening research and development capabilities; and (ii) HK\$49.6 million originally allocated for enhancing user base and Internet traffic of the Group's platform to acquisition of or investment in companies engaging in CBM and family related business chains and related technology research and development. Out of the total HK\$94.4 million reallocated, HK\$50 million will be used for the Subscription as mentioned in the Announcement and the remaining HK\$44.4 million will be used for the investments in a number of other potential target companies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the potential target companies is an independent third party. The target companies to be acquired by the Company are all independent third-parties that are not controlled by the Company. The business scopes of such target companies to be acquired by the Company are expansion of related business of mother-child family services and provision of relevant supporting technology for the Company. It is currently contemplated that none of the investments will constitute discloseable transactions. The Company will comply with the relevant requirements of the GEM Listing Rules as and when appropriate.

The Group is a vertical online platform for the CBM market. Based on its existing core businesses, the Group aims at creating a new mother-child ecosystem with diversified maternal and child services. It also extends the traditional and single maternal and child services to several cross-sector segments including health, education, finance and entertainment by way of investment and strategic cooperation, further expanding the types of family services and customer reach, prolonging user life-cycle, and meeting the increasing long-tail demands from the mother-child groups. As such, the Directors consider that the Subscription and the aforesaid investments in other potential target companies are relevant to the existing businesses of the Group.

2. The Directors consider that the change of use of the Net Proceeds as disclosed in the Announcement is beneficial to the Company and in the interests of the Company and its shareholders as a whole on the following basis:
 - (i) The Directors consider that there have been rapid changes in the Internet industry and the competition in online advertising and e-commerce market and related O2O business is intense. The Group has to expand into new core sectors such as new socialized retail, family medical, family education and internet technology with external empowerment. Leveraging the investments in the companies engaged in relevant new sectors, the Company will be able to reduce its costs to a certain extent and enter such new sectors in a quicker manner, as well as gain technology reserves and Internet traffic from new resources;
 - (ii) In view of the decreased gross profit margin and the increased costs in the market of China, the Group plans to enter the markets of developed countries with higher gross profit margin and the markets of new emerging economies with lower costs through mergers and acquisitions; and
 - (iii) The Directors are of the view that the internal resources of the Group are sufficient to support the originally proposed use of strengthening research and development capabilities and enhancing user base and Internet traffic of the Group's online platform for the CBM market.

3. Set out below is the summary of changes of allocation of the Net Proceeds since the listing of the Company's shares on GEM in July 2015 up to the date of this announcement:

Use of Net Proceeds	Intended allocation	Revised allocation	Revised allocation	Revised allocation	Revised allocation	Proceeds utilized as at the date of the announcement	Reason for and estimated timetable for unutilized proceeds
		announced on 26 February 2016 (HK\$ million)	announced on 15 December 2017 (HK\$ million)	announced on 2 May 2018 (HK\$ million)	announced on 3 July 2018 (HK\$ million)		
Strengthening research and development capabilities	55.3	52.8	52.8	44.8	—	—	—
Enhancing the user base and Internet traffic of our platform	55.3	49.6	49.6	49.6	—	—	—
Developing our e-commerce business and related O2O business	55.3	44.9	44.9	—	—	—	—
Acquisition of or investment in other companies engaged in O2O and CBM related businesses	55.3	19.3	19.3	—	—	—	—
Enhancing marketing and promotional services	27.6	24.9	24.9	24.9	24.9	—	(a)
Working capital and other general corporate purposes	27.6	24.9	24.9	24.9	24.9	—	(b)
Providing loan facilities	—	60	—	—	—	—	—
Acquisition of property or land for the construction of the Company's headquarters	—	—	60	60	60	—	(c)
Acquisition of or investment in the companies engaged in CBM and family related industrial chains and business related to technology research and development	—	—	—	72.2	166.6	154.4	(d)
Total	276.4	276.4	276.4	276.4	276.4	154.4	—
Reason for the change	—	—	—	(e)	(f)	—	—

Notes:

- (a) The Company has not yet used such proceeds mainly because the current capital requirement could be funded by the Company's own resources. Due to the rapid changes in the industry, the Company allocated part of the proceeds as reserve funds to maximize the return. It is expected that the proceeds will be used during 2019.

- (b) The Company has not yet used such proceeds mainly because the current capital requirement could be funded by the Company's own resources. Due to the rapid changes in the industry, the Company allocated part of the proceeds as reserve funds to maximize the return. It is expected that the proceeds will be used during 2019.
- (c) The Company has not yet used such proceeds. As disclosed in the announcement date 27 March 2018, the Company is currently in negotiations with the Management Committee of the Software Valley of Nanjing, the PRC (中國(南京)軟件谷管理委員會) for acquiring land for construction and development of the Group's new headquarters in the PRC. It is expected that the subscription will be completed by 31 March 2019. Disclosure will be made if there are any other relevant developments.
- (d) Other than the transaction disclosed on 3 July 2018, the change of use of proceeds does not constitute a discloseable transaction as at this date. Progress on investment has been disclosed in the 2018 interim report. It is expected that the remaining proceeds of HK\$ 12.2 million will be used during 2019.
- (e) The Board considers that there have been rapid changes in the Internet industry and the competition in online advertising and e-commerce market and related O2O business is intense. The Company has to expand into new core sectors and acquire the relevant supporting technical reserves. In November 2017, the Board intended to invest in independent third parties engaging in CBM related business chains. The Company's investment team is responsible for identifying potential target companies for the approval of the Board. At the end of January 2018, the Board considered the utilization of proceeds for investment as and when appropriate, and increase the allocation of the proceeds for investment-related purpose. According to the progress of negotiation between the investment team and the potential target companies, on 2 May 2018, the Board approved and announced the change of use of proceeds and increased the allocation of the proceeds for investment-related purpose.
- (f) Based on the business development of the Company and the analysis made by the investment team during valuation process, at the end of March 2018, the Board intended to further increase the allocation of the proceeds for investment-related purpose to further expand and improve the layout of CBM business chains and the technical reserves, including further clarification of the needs for blockchain technical reserves. According to the progress of negotiation between the investment team and the potential target companies, on 3 July 2018, the Board approved and announced the change of use of proceeds.

By order of the Board of
China Parenting Network Holdings Limited
Li Juan
Chairperson

Nanjing, the PRC, 20 August 2018

As at the date of this announcement, the executive Directors are Mr. Cheng Li, Mr. Hu Qingyang and Mr. Zhang Lake Mozi; the non-executive Directors are Mr. Wu Haiming, Ms. Li Juan and Mr. Hsieh Kun Tse; and the independent non-executive Directors are Mr. Wu Chak Man, Mr. Zhao Zhen and Mr. Ge Ning.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company.

The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading. This announcement will remain on the “Latest Company Announcements” page of the website of the Stock Exchange at <http://www.hkgem.com> for at least 7 days from the date of its posting and be posted on the website of the Company at <http://www.ci123.com>.