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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)

(GEM Stock Code: 8361)

(Main Board Stock Code: 1736)

**TRANSFER OF LISTING
FROM THE GROWTH ENTERPRISE MARKET TO
THE MAIN BOARD OF THE STOCK EXCHANGE OF
HONG KONG LIMITED**

Financial Adviser to the Company



Innovax Capital Limited

On 30 March 2017, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board and such application was renewed on 10 October 2017 and 24 April 2018. The Company has applied for the listing of, and permission to deal in (i) the 1,025,662,000 Shares in issue; and (ii) the 100,000,000 Shares which may fall to be issued pursuant to the exercise of the share options that may be but not yet granted under the Share Option Scheme on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle has been granted by the Stock Exchange on 27 September 2018 for the Shares to be listed on the Main Board and delisted from GEM.

All pre-conditions for the Transfer of Listing have been fulfilled in relation to the Company and the Shares.

The last day of dealings in the Shares on GEM (Stock code: 8361) will be 5 October 2018. Dealing in the Shares on the Main Board (Stock code: 1736) will commence at 9:00 a.m. on 8 October 2018.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares have a board lot size of 2,000 Shares each and are traded in Hong Kong dollars. No change will be made to the Chinese and English stock short names, the existing share certificates, the board lot size, trading currency of the Shares and the Hong Kong branch share registrar and transfer office of the Company in connection with the Transfer of Listing.

The price and trading volume of the Shares has been volatile since the Company's listing on GEM. The Board is not aware of any reason for such volatility and the price and trading volume of the Shares may continue to be volatile. Attention of the Shareholders and potential investors of the Company is drawn to the potential risk and they are advised to exercise caution when dealing in the Shares.

Reference is made to the announcement issued by the Company dated 30 March 2017 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing under the transfer of listing arrangement pursuant to the relevant provisions of the GEM Listing Rules and the Main Board Listing Rules.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 30 March 2017, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board and such application was renewed on 10 October 2017 and 24 April 2018. The Company has applied for the listing of, and permission to deal in (i) the 1,025,662,000 Shares in issue; and (ii) the 100,000,000 Shares which may fall to be issued pursuant to the exercise of the share options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle has been granted by the Stock Exchange on 27 September 2018 for the Shares to be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer of Listing have been fulfilled in relation to the Company and the Shares.

REASONS FOR THE TRANSFER OF LISTING

The Shares have been listed on the GEM since 8 July 2015. The Company is an investment holding company. The Group is an online platform focusing on users who are interested in information on and/or services related to the CBM (children, babies, and maternity) market in the PRC and is mainly engaged in (i) provision of marketing and promotional service; (ii) e-commerce business; and (iii) licensing of smart-hardware devices through its large and engaged user base of CBM consumers. There has been no material change in the Company's business model, regulatory environment and industry landscape since the Listing and up to the Latest Practicable Date.

The Board believes that the Transfer of Listing will enhance the corporate profile and public recognition of the Company. This will, in turn, enhance the business prospects of the Group and add to its competitive strength in attracting, retaining and augmenting the Group's qualified staff and client base. The Directors also expect the Main Board trading platform will enhance trading liquidity of the Shares. All of these factors will ultimately contribute to increasing shareholder value. Accordingly, the Board is of the view that the Transfer of Listing is beneficial to the future growth and development of the Group and is in the overall interests of the Company and its Shareholders.

As at the date of this announcement, the Board had no intention to change the nature of business of the Group. The Transfer of Listing will not involve issue of any new Shares by the Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 8 July 2015, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (stock code: 8361) will be 5 October 2018. Dealings in the Shares on the Main Board (stock code: 1736) will commence at 9:00 a.m. on 8 October 2018.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares have a board lot size of 2,000 Shares each and are traded in Hong Kong dollars. No change will be made to the Chinese and English stock short names, the existing share certificates, the board lot size, trading currency of the Shares and the Hong Kong branch share registrar and transfer office (which is Tricor Investor Services Limited) of the Company in connection with the Transfer of Listing.

SHARE AWARD PLAN

As stated in the Prospectus, the Company intended to adopt a share award plan (the “**Plan**”) within 12 months from the listing date of its Shares on GEM, so as to recognize and appreciate the contribution of any qualified employees towards the growth and development of the Group. The Board has adopted the Plan on 6 July 2016. Mr. Hsieh Kun Tse, the non-executive Director, has transferred the entire issued share capital of Properous Commitment Holdings Limited (“**Properous Commitment**”), which in turn holds 51,600,000 Shares, to the a professional trustee (the “**Trustee**”) at nil consideration on 8 September 2016. The Trustee holds on trust the award Shares for the benefit of the selected employees in accordance to the terms of the trust deed, until such award Shares are vested in the relevant selected employees in accordance with this Plan.

The maximum number of award Shares under the Plan shall not exceed 10% of the issued share capital of the Company (including new Shares and existing Shares) from time to time, whereas the maximum number of Shares to be granted to a selected employee shall not exceed one percent (1%) of the issued share capital of the Company from time to time. The Directors have confirmed that the Company does not currently intend to issue any new Shares under the Plan. If new Shares are to be issued under the Plan and assuming there are no existing Shares to be used under the Plan, the maximum number of new Shares to be issued will be 50,966,200 Shares as at the Latest Practicable Date (taking into account of the current issued share capital of 1,025,662,000 Shares and 51,600,000 Shares held by Properous Commitment), representing approximately 4.97% of the existing issued share capital of the Company. The Company will seek a specific mandate in this regard as the grantees may be connected persons of the Company.

The Plan shall have effect and valid for ten years from the date of adoption to 5 July 2026. As at the Latest Practicable Date, no Shares have been granted to qualified employees under the Plan.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 19 June 2015 for the purpose of enabling the Group to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and shall be valid for a period of 10 years. Subject to the early termination provisions contained in the Share Option Scheme, the remaining life of the Share Option Scheme will be until 18 June 2025.

As at the date of this announcement, the Share Option Scheme fully complies with the requirements of Chapter 17 of the Main Board Listing Rules, and will remain effective upon the Transfer of Listing.

Pursuant to the Share Option Scheme and as at the date of this announcement, the Company may grant options which would entitle the holders to subscribe for up to 100,000,000 Shares, representing 10% of the share capital of the Company in issue as at the date of listing of the Shares on GEM (that is, 8 July 2015), during the remaining term of the Share Option Scheme.

The listing of the Shares issued and to be issued upon exercise of options which may be granted pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

As at the date of this announcement, save as disclosed above, there are no outstanding options, warrants or similar rights or convertible equity securities issued by the Company which will be transferred to the Main Board.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted to the Directors to allot and issue new Shares and repurchase Shares by the Shareholders on 15 June 2018 will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the laws of the Cayman Islands or the articles of association of the Company to be held; and
- (c) the revocation or variation of such authority given by an ordinary resolution of Shareholders in general meeting.

PUBLIC FLOAT

The Directors confirm that no less than 25% of the total issued share capital of the Company is held by the public (as defined in the Main Board Listing Rules) as at the Latest Practicable Date. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

SHAREHOLDING DISTRIBUTION OF PUBLIC SHAREHOLDERS

Based on a review of (i) the register of members of the Company; (ii) the information received from the securities house and brokerage firm; and (iii) the disclosure of interests search results from the Stock Exchange website, the Company is of the view that (a) it has more than 300 shareholders; and (b) save as the shareholders who have filed disclosure of interests notice with the Stock Exchange, the Company does not have any public shareholder which holds more than 5% of the shareholding of the Company.

COMPETING INTERESTS

As at the date of this announcement, none of the Controlling Shareholders or the Directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to Rule 9A.09(10) of the Main Board Listing Rules.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial years, respectively. The Board is of the view that the potential investors and Shareholders will continue to have access to relevant information of the Company following the reporting requirements under the Main Board Listing Rules.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at www.ci123.com and of the Stock Exchange at www.hkexnews.hk and www.hkgem.com:

- (a) the Directors' report and annual report of the Company for the year ended 31 December 2017;
- (b) the interim report of the Company for the six months ended 30 June 2018;
- (c) the memorandum and articles of association of the Company;
- (d) the circular of the Company dated 29 March 2018 in relation to, among other things, renewal of general mandates to issue and repurchase shares and re-election of directors;
- (e) the circular of the Company dated 26 March 2017 in relation to, among other things, renewal of general mandates to issue and repurchase shares and re-election of directors; and
- (f) a copy of each of announcements and other corporate communications made by the Company before the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

Copies of the Structured Contracts will be available for viewing on the website of the Company at www.ci123.com.

CERTAIN FINANCIAL INFORMATION OF THE GROUP

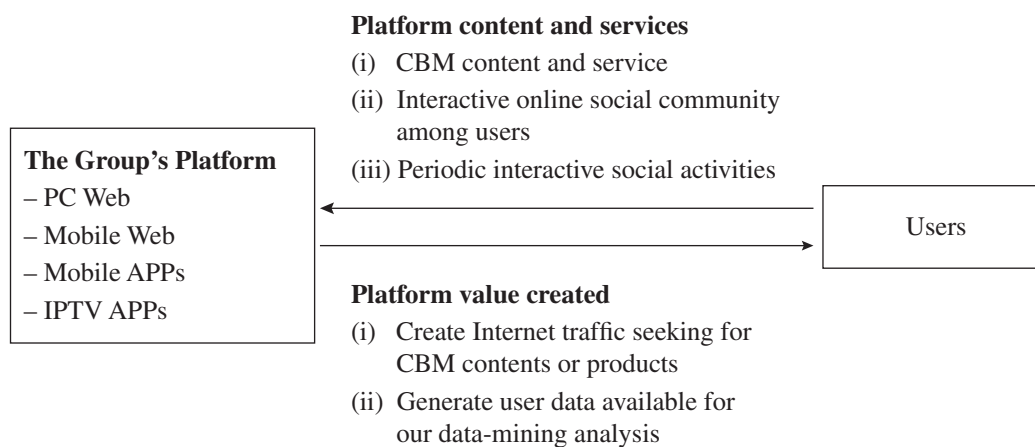
The table below sets forth the selected information of the Group's audited consolidated statements of comprehensive income for the three years ended 31 December 2017 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 and 2018:

	Year ended 31 December			Six months ended	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
REVENUE	79,774	84,913	91,132	45,848	46,320
Cost of sales	<u>(9,764)</u>	<u>(10,733)</u>	<u>(12,370)</u>	<u>(5,373)</u>	<u>(10,819)</u>
Gross profit	70,010	74,180	78,762	40,475	35,501
Other income and gains	2,430	5,059	7,839	6,099	1,333
Administrative expenses	(16,271)	(10,513)	(14,648)	(6,430)	(7,711)
Selling and distribution expenses	(8,587)	(9,214)	(11,167)	(5,621)	(4,580)
Research and development costs	(13,705)	(15,719)	(16,899)	(9,420)	(6,378)
Finance costs	(151)	(350)	(68)	(44)	(34)
Other expenses	<u>(21)</u>	<u>–</u>	<u>(1,811)</u>	<u>(1,810)</u>	<u>(3)</u>
PROFIT BEFORE TAX	33,705	43,443	42,008	23,249	18,128
Income tax expense	<u>(1,045)</u>	<u>(1,487)</u>	<u>(4,061)</u>	<u>(2,376)</u>	<u>(151)</u>
PROFIT FOR THE YEAR/PERIOD	<u>32,660</u>	<u>41,956</u>	<u>37,947</u>	<u>20,873</u>	<u>17,977</u>
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	<u>13,606</u>	<u>12,058</u>	<u>(11,489)</u>	<u>(5,399)</u>	<u>565</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>46,266</u>	<u>54,014</u>	<u>26,458</u>	<u>15,474</u>	<u>18,542</u>
Basic and diluted					
– For profit for the year/period (expressed in RMB per share)	<u>RMB3.81 cents</u>	<u>RMB4.37 cents</u>	<u>RMB3.37 cents</u>	<u>RMB1.61 cents</u>	<u>RMB1.77 cents</u>

Performance of the Group

Business model

The following diagram illustrates a brief layout of the Group's business model:



Revenue

In recent years, the Group's business had experienced moderate growth and expansion. The following table sets out the breakdown of the Group's revenue for the three years ended 31 December 2017 and six months ended 30 June 2017 and 2018:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000 (unaudited)	% of total	RMB'000 (unaudited)	% of total
Marketing and promotional services										
• advertising agencies	63,336	79.4	64,685	76.2	73,162	80.3	31,509	68.7	29,389	63.4
• non-advertising agencies	12,004	15.0	16,140	19.0	16,904	18.5	13,825	30.2	16,664	36.0
• third party online shopping platform	1,180	1.5	1,088	1.3	109	0.1	109	0.2	175	0.4
Subtotal	76,520	95.9	81,913	96.5	90,175	98.9	45,443	99.1	46,228	99.8
E-commerce	1,378	1.7	589	0.7	957	1.1	405	0.9	92	0.2
Sales of goods	1,876	2.4	2,411	2.8	-	0.0	-	0.0	-	0.0
Total	79,774	100.0	84,913	100.0	91,132	100.0	45,848	100.0	46,320	100.0

The total revenue of the Group increased by approximately RMB5.1 million or 6.4% for the year ended 31 December 2016 as compared with that for the year ended 31 December 2015. The total revenue of the Group for the year ended 31 December 2017 amounted to approximately RMB91.1 million (2016: approximately RMB84.9 million), represented an increase of approximately 7.3% as compared to the year ended 31 December 2016. Revenues of the Group are mainly derived from its marketing and promotional services which accounted for approximately 95.9%, 96.5%, 98.9% and 99.8% of its total revenues in 2015, 2016, 2017 and for the six months ended 30 June 2018, respectively. The Group provides online marketing and promotional services primarily by displaying of online advertisements on its Platform, coupled with promotional and technical support services, including word of mouth marketing, social activities marketing, content marketing and website marketing.

Consistent with common practice in the advertising industry in China, the Group offers incentives to advertising agencies. The Group's revenue is presented net of rebates to advertising agencies. The Group's revenue from the provision of marketing and promotional services increased from approximately RMB76.5 million for the year ended 31 December 2015 to approximately RMB81.9 million for the year ended 31 December 2016 as a result of the 21.5% increase in average advertising spending from approximately RMB396,500 for the year ended 31 December 2015 to approximately RMB481,800 for the year ended 31 December 2016 despite the slight decline of 11.9% in number of brands placing advertisements on the Platform from 193 in 2015 to 170 in 2016. Such increase in average spending was due to increase in the selling price of the advertising space and the increase in customers' budget on advertising.

The Group's revenue from the provision of marketing and promotional services further increased to approximately RMB90.2 million for the year ended 31 December 2017. There is an increase in average advertising spending from approximately RMB481,800 for the year ended 31 December 2016 to approximately RMB663,000 for the year ended 31 December 2017 despite the decline of approximately 20% in number of brands placing advertisements on the Platform from 170 in 2016 to 136 in 2017. Such increase in average spending was due to the rapid development in CBM industry which created a large demand for online advertising of CBM products and the enhanced traffic and reputation of users encouraged customers to put more budgets in brand displaying on the platform.

It is the Group's business strategy to focus on brands with larger advertising spending. The number of brands placing advertisements decreased during the Track Record Period, as the Group cut down contracts of smaller amounts and focus on those of larger amounts.

The Group's revenue remained stable, with approximately RMB45.8 million for the six months ended 30 June 2017 and approximately RMB46.3 million for the six months ended 30 June 2018, average advertising spending by the brands was stable for both the six months ended 30 June 2017 and 2018. A total contract sum of RMB103.0 million has been signed during 2018 till Latest Practicable Date, while the contract sum signed in 2017 was RMB99.7 million. The Group considered that the results for the second half of 2018 will be better than that of 2017.

Average monthly and daily active users of the Group's principal platforms

For the three years ended 31 December 2017 and six months ended 30 June 2017 and 2018, the average MAU and DAU of PC Web is as follows:

	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
MAU	32.3 million	52.3 million	84.7 million	93.9 million	118.1 million
DAU	1.3 million	2.4 million	3.6 million	4.1 million	4.9 million

For the three years ended 31 December 2017 and six months ended 30 June 2017 and 2018, the average MAU and DAU of the Group's Mobile APP (i.e. the sum of Pregnancy Reminder (孕期提醒) and Mother Zone (媽媽社區) under PC Web) is as follows:

	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
MAU	2.0 million	7.8 million	10.6 million	11.0 million	11.7 million
DAU	0.5 million	1.8 million	2.3 million	2.4 million	2.5 million

Top Five Customers of the Group

During the year ended 31 December 2015, the Group's five largest customers accounted for approximately 41.7% of the Group's total revenue.

Rank	Name of customer	Business activities and Background	Amount of Revenue <i>(RMB million)</i>	Percentage of the Group's total revenue for the relevant year
1	Beijing Hengmei Advertising Company Limited* (北京恒美廣告有限公司)	Advertising agent, local branch of a multinational advertising agency (founded in the United States) engaging in the provision of advertising media service and brand marketing service	7.29	9.1%
2	Aegis Media Group* (安吉斯媒體集團)	Advertising agent, local branch of Dentsu Aegis Group, a multinational advertising agency (founded in the United Kingdom) engaging in the provision of advertising and brand marketing service	7.10	8.9%
3	Shanghai MediaV Advertising Company Limited* (上海聚勝萬合廣告有限公司)	Advertising agent, a sizeable domestic advertising agency with offices in several major cities in China engaging in the provision of advertising technical service	6.77	8.5%
4	Publicis Advertising Company Group Limited* (陽獅廣告有限公司集團)	Advertising agent, a multinational advertising agency (founded in the France) engaging in the provision of advertising media service, public relations service and marketing and sales service which is one of the "big 4" advertising group	6.40	8.0%
5	Huayang Luenjung Numbers Technology Company Limited* (華揚聯眾數字技術股份有限公司)	Advertising agent, a sizeable domestic advertising agency with offices in several major cities in China engaging in the provision of advertising technical service and whose shares are listed on the Shanghai Stock Exchange (stock code: 603825)	5.72	7.2%

* For identification purpose only

During the year ended 31 December 2016, the Group's five largest customers accounted for approximately 39.5% of the Group's total revenue.

Rank	Name of customer	Business activities and background	Amount of Revenue <i>(RMB million)</i>	Percentage of the Group's total revenue for the relevant year
1	Shanghai MediaV Advertising Company Limited* (上海聚勝萬合廣告有限公司)	Advertising agent, a sizeable domestic advertising agency with offices in several major cities in China engaging in the provision of advertising technical service	7.95	9.4%
2	Beijing Tensyn Innovative Internet Marketing Technology Company Limited* (北京騰信創新網絡營銷技術股份有限公司)	Advertising agent, a domestic advertising agency engaging in internet advertising and the provision of advertising solutions service whose shares are listed on the Shenzhen Stock Exchange (stock code: 300392)	7.72	9.1%
3	Kimberley-Clark (China) Limited* (金佰利(中國)有限公司)	Manufacturer of daily essentials, local branch of a multinational product manufacturer (founded in the United States) engaging in the production of health care products, daily essential products and consumer goods	6.90	8.1%
4	Aegis Media Group* (安吉斯媒體集團)	Advertising agent, local branch of Dentsu Aegis Group, a multinational advertising agency (founded in the United Kingdom) engaging in the provision of advertising and brand marketing service	5.91	7.0%
5	Publicis Advertising Company Group Limited* (陽獅廣告有限公司集團)	Advertising agent, a multinational advertising agency (founded in the France) engaging in the provision of advertising media service, public relations service and marketing and sales service which is one of the "big 4" advertising group	5.04	5.9%

* For identification purpose only

During the year ended 31 December 2017, the Group's five largest customers accounted for approximately 48.9% of the Group's total revenue.

Rank	Name of customer	Business activities and background	Amount of Revenue <i>(RMB million)</i>	Percentage of the Group's total revenue for the relevant year
1	Aegis Media Group* (安吉斯媒體集團)	Advertising agent, local branch of Dentsu Aegis Group, a multinational advertising agency (founded in the United Kingdom) engaging in the provision of advertising and brand marketing service	11.57	12.7%
2	Kimberley-Clark (China) Limited* (金佰利(中國)有限公司)	Manufacturer of daily essentials, local branch of a multinational product manufacturer (founded in the United States) engaging in the production of health care products, daily essential products and consumer goods	11.49	12.6%
3	Beijing Girry Advertising Media Company Limited* (北京格瑞廣告傳媒有限公司)	Advertising agent, a large-scale domestic advertising agent engaged in brand planning, advertising, public relations, social media marketing and other media communication business	8.01	8.8%
4	Publicis Advertising Company Group Limited* (陽獅廣告有限公司集團)	Advertising agent, a multinational advertising agency (founded in the France) engaging in the provision of advertising media service, public relations service and marketing and sales service which is one of the "big 4" advertising group	7.65	8.4%
5	Huayang Luenjung Numbers Technology Company Limited* (華揚聯眾數字技術股份有限公司)	Advertising agent, a sizeable domestic advertising agency with offices in several major cities in China engaging in the provision of advertising technical service and whose shares are listed on the Shanghai Stock Exchange (stock code: 603825)	5.80	6.4%

* For identification purpose only

During the six months ended 30 June 2018, the Group's five largest customers accounted for approximately 47.5% of the Group's total revenue.

Rank	Name of customer	Business activities and background	Amount of Revenue <i>(RMB million)</i>	Percentage of the Group's total revenue for the relevant period
1	Kimberley-Clark (China) Limited* (金佰利(中國)有限公司)	Manufacturer of daily essentials, local branch of a multinational product manufacturer (founded in the United States) engaging in the production of health care products, daily essential products and consumer goods	5.69	12.3%
2	Shanghai Junzhou Advertising Company Limited* (上海郡州廣告有限公司)	A one-stop all-media advertising agent that provides market analysis, creative strategy, and execution services; major brands under its agency include Nutrilon, Aptamil, Nestle and Gerber	5.58	12.1%
3	Diantong Dongpai Advertising Company Limited* (電通東派廣告有限公司)	A member of Dentsu Aegis Group, a multinational advertising agency (founded in the United Kingdom), and its agency services include product development, marketing strategy, brand strategy, communication strategy, sales strategy, and customer relationship management, public relations, large-scale events, and content and digital marketing	4.03	8.7%
4	Khorgos Tongtu Advertising Company Limited * (霍爾果斯通圖廣告傳播有限公司)	A comprehensive advertising agent engaging in design, production and distribution of domestic advertisements, business information consultation, and computer software technology development; major brands under its agency include Wyeth	3.35	7.2%
5	Huayang Luenjung Numbers Teachology Company Limited* (華揚聯眾數字技術股份有限公司)	Advertising agent, a sizeable domestic advertising agency with offices in several major cities in China engaging in the provision of advertising technical service and whose shares are listed on the Shanghai Stock Exchange (stock code: 603825)	3.32	7.2%

* For identification purpose only

Cost of sales

Cost of sales primarily consists of salaries and welfares, cost of goods sold and other costs. The table below sets forth the components of the Group's cost of sales for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000 (unaudited)	% of total	RMB'000 (unaudited)	% of total
Salaries and welfares	4,319	44.2	5,100	47.5	5,972	48.3	3,318	61.8	2,911	26.9
Bandwidth and internet data centre costs	2,335	23.9	2,332	21.7	5,590	45.2	1,748	32.5	7,014	64.8
Depreciation expense	250	2.6	115	1.1	13	0.1	12	0.2	2	0.1
Materials consumption costs	374	3.8	324	3.0	489	4.0	127	0.4	783	7.2
Cost of goods sold	2,278	23.3	2,428	22.6	44	0.4	33	0.6	-	-
Others	208	2.2	434	4.1	262	2.0	135	2.5	109	1.0
Total	9,764	100.0	10,733	100.0	12,370	100.0	5,373	100.0	10,819	100.0

Salaries and welfares included in cost of sales are the cost the Group paid for personnel in its editorial department and e-commerce department, including salaries, benefits and bonus. Bandwidth and internet data centre costs represented the bandwidth used and data consumed by internet users visiting the Group's PC web and mobile APP. Cost of goods sold represents the purchase cost of the goods the Group sold on the Mobile APPs. Other costs include rental expense and other miscellaneous expenses.

Cost of sales increased by approximately 9.2% from RMB9.8 million for the year ended 31 December 2015 to RMB10.7 million for the year ended 31 December 2016 which was mainly due to (i) the purchase cost of the goods sold in the Group's e-commerce business that started in September 2014; and (ii) the increase in the salaries and welfares, which was driven by the increase in the number of editorial staff to cope with its expansion.

The Group's cost of sales further increased by approximately 15.9% from approximately RMB10.7 million for the year ended 31 December 2016 to approximately RMB12.4 million for the year ended 31 December 2017, which was primarily due to (i) the increase in the salaries and welfares, which was driven by the increase in the number of editorial staff to cope with its expansion; (ii) the increase in bandwidth and internet data centre costs, which was driven by the increasing website popularity; net-off by the decrease in cost of goods sold due to the termination of sales of products in the second quarter of 2016.

The Group's cost of sales increased significantly by approximately 100.0% from approximately RMB5.4 million for the six months ended 30 June 2017 to approximately RMB10.8 million for the six months ended 30 June 2018, which was primarily due to the increase in bandwidth and internet data centre costs. As bandwidth and internet data centre costs are in proportion with the bandwidth used and data consumed by users visiting the Group's PC web and Mobile APP. In order to maintain competitiveness and to cater the needs of CBM users, the Group enhanced contents to include more childcare animations, expert live broadcasts and webinars. These were also promoted and marketed on the internet as a means of acquiring new users. As the above video contents consumed wider bandwidth and more data, bandwidth and internet data centre costs increased significantly during the second quarter of 2018. The Group expected that the market will remain competitive in the second half of 2018 and the bandwidth and internet data centre costs will remain significant to the Group.

Gross profit and gross profit margin

The Group's gross profit represents the excess of revenue over cost of sales.

The Group's gross profit increased by approximately 6.0% or RMB4.2 million from approximately RMB70.0 million for the year ended 31 December 2015 to approximately RMB74.2 million for the year ended 31 December 2016, and further by approximately 6.2% or RMB4.6 million to approximately RMB78.8 million for the year ended 31 December 2017 which is in line with the increase in its revenue. Gross profit decreased by 12.3% from approximate RMB40.5 million for the six months ended 30 June 2017 to RMB35.5 million for the same period in 2018. The gross profit margin remained stable at approximately 87.8% for the year ended 31 December 2015 and approximately 87.4% for the year ended 31 December 2016, and decreased slightly to approximately 86.4% for the year ended 31 December 2017 due to higher bandwidth traffic cost. Due to the increase in bandwidth and internet data centre costs for the six months ended 30 June 2018 as discussed above, the gross profit margin for the six months ended 30 June 2018 decreased significantly to approximately 76.6%.

Other income and gains

Other income and gains consists of interest income and other non-operating income. The following table sets forth the breakdown of other income and gains for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000 (unaudited)	% of total	RMB'000 (unaudited)	% of total
Bank interest income	84	3.5	504	10.0	848	10.8	195	3.2	103	7.7
Other interest income	147	6.0	440	8.7	1,200	15.3	1,200	19.7	555	41.6
Exchange gain/(loss)	472	19.4	219	4.3	90	1.1	318	5.2	(135)	(10.1)
Government grants	1,714	70.6	3,677	72.7	5,375	68.6	4,386	71.9	465	34.9
Other income	13	0.5	219	4.3	326	4.2	-	-	345	25.9
Total	2,430	100.0	5,059	100.0	7,839	100.0	6,099	100.0	1,333	100.0

Other interest income for the year ended 31 December 2017 primarily represented the interest arised from a financial product that have been subsequently collected in January 2017. The financial product purchased by the Group have an agreed contract period, in which the Group will be able to collect back the principal and earned interests after the end of whole contract period based on a predetermined interest rate. The Group did not purchase any other financial product since then. Other interest income for the six months ended 30 June 2018 primarily represented the interests arise from loans to several private companies including (i) Nanjing Qianyu Information Technology Company Limited (“南京千魚信息技術有限公司”) at interest rate of 6.0% per annum for a period of 36 months; and (ii) Beijing Hongwei Technology Company Limited (“北京宏偉科技有限公司”) and Shenzhen Feishikang Technology Company Limited (“深圳飛視康科技有公司”) at interest rate of 6.0% to 8.0% per annum for periods of 18 to 36 months.

Government grants was received from the government of the Mainland China to Nanjing Xibai and Nanjing Xihui mainly (i) as encouragement to the Group’s efforts on development and innovation; and (ii) as listing incentives.

The Group’s other income and gains for the year ended 31 December 2015 was approximately RMB2.4 million, and approximately RMB5.1 million for the year ended 31 December 2016. The increase was primarily due to the increase in government grants obtained by Nanjing Xihui and also the listing incentives obtained by Nanjing Xibai from Nanjing Municipal Finance Bureau.

The Group’s other income and gains further increased by approximately 52.9%, to approximately RMB7.8 million for the year ended 31 December 2017 primarily due to (i) the increase in other interest income; and (ii) the government grants provided by the local government as development support funds.

The Group’s other income and gains decreased by approximately 78.7%, from approximately RMB6.1 million for the six months ended 30 June 2017 to approximately RMB1.3 million for the six months ended 30 June 2018, primarily due to the fact that there were government grants provided by the local government as a development support funds for the six months ended 30 June 2017 was significantly higher than that for the six months ended 30 June 2018.

Administrative expenses

The Group’s administrative expenses consist of salaries and welfares, office expense, legal and professional fee for the Listing and others. The table below sets forth the components of the Group’s administrative expenses for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB’000	% of total	RMB’000	% of total	RMB’000	% of total	RMB’000 (unaudited)	% of total	RMB’000 (unaudited)	% of total
Salaries and welfares	2,637	16.2	3,102	29.5	4,738	32.3	2,004	31.2	2,654	34.3
Office expense	971	6.0	442	4.2	546	3.7	289	4.5	522	6.8
Legal and professional fee	11,921	73.3	4,889	46.5	7,250	49.6	3,110	48.4	2,688	34.9
Others	742	4.5	2,080	19.8	2,114	14.4	1,027	16.0	1,847	24.0
Total	16,271	100.0	10,513	100.0	14,648	100.0	6,430	100.0	7,711	100.0

Salaries and welfares included in administrative expenses are the cost the Group paid for personnel in its administrative department including salaries, benefits and bonus. Other expenses included travelling expense, rental expense, entertainment expense, depreciation expense, and other miscellaneous expense. For the year ended 31 December 2015, administrative expense also included listing expenses.

The Group's administrative expenses was particularly high for the year ended 31 December 2015 because of the legal and professional expenses incurred for the preparation of the Listing on GEM.

The Group's administrative expenses increased by approximately 39.0%, from approximately RMB10.5 million for the year ended 31 December 2016 to approximately RMB14.6 million for the year ended 31 December 2017, primarily due to legal and professional expenses incurred from preparation for transfer listing from GEM to Main Board and the increase in the average salary paid to the employees in administrative department.

The Group's administrative expenses increased by approximately 20.3%, from approximately RMB6.4 million for the six months ended 30 June 2017 to approximately RMB7.7 million for the six months ended 30 June 2018, mainly because of the increase in salaries and welfares driven by the increase in average number of administrative staffs, from 15 for the six months ended 30 June 2017 to 18 for the six months ended 30 June 2018.

Selling and distribution expenses

Selling and distribution expenses consist of salaries and welfares, promotion costs, office expenses and others. The table below sets forth the components of the Group's selling and distribution expenses for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000 (unaudited)	% of total	RMB'000 (unaudited)	% of total
Salaries and welfares	4,178	48.7	4,909	53.3	6,317	56.6	3,416	60.8	2,863	62.5
Office expense	69	0.8	118	1.3	151	1.4	72	1.3	49	1.1
Promotion expense	3,049	35.5	3,323	36.1	3,615	32.4	1,723	30.6	1,200	26.2
Others	1,291	15.0	864	9.3	1,084	9.6	410	7.3	468	10.2
Total	8,587	100.0	9,214	100.0	11,167	100.0	5,621	100.0	4,580	100.0

Salaries and welfares included in selling and distribution expenses are the cost the Group paid for personnel in its marketing and customer services department including salaries, benefits and bonus. Promotion expense arose from marketing and promotional activities in order to promote brand awareness of the Platform. Others include travelling expense, rental expense, entertainment expense, depreciation expense and other miscellaneous expenses.

The Group's selling and distribution expenses increased by approximately 7.0% from RMB8.6 million for the year ended 31 December 2015 to RMB9.2 million for the year ended 31 December 2016, primarily due to the full-year impact of the engagement cost of Ms. Christine Fan as the spokesperson. The selling and distribution expenses further increased by approximately 21.7% to RMB11.2 million for the year ended 31 December 2017, which was primarily attributable to the increased salary level of employees in the Market Department and Customer Service Department as well as the number of employees.

The Group's selling and distribution expenses decreased by approximately 17.9% from approximately RMB5.6 million for the six months ended 30 June 2017 to approximately RMB4.6 million for the six months ended 30 June 2018, primarily due to the fact that (i) the Group engaged Ms. Christine Fan, a famous artist from Taiwan, as the spokesperson of the Company's website in China from July 2015 to April 2017, while there was no such expenditure for the six months ended 30 June 2018; and (ii) the decrease in bonus for sales staff for the six months ended 30 June 2018.

Research and development expenses

Research and development expenses consist primarily salaries and welfares expenses relating to the Group's research and development personnel, and also include outsourcing fee, bandwidth and training expenses, office overhead and other expenses relating to its research and development activities. The table below sets forth the components of the Group's research and development expenses for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000 (unaudited)	% of total	RMB'000 (unaudited)	% of total
Salaries and welfares	12,413	90.6	14,344	91.3	15,715	93.0	8,728	92.7	5,329	83.6
Outsourcing fee	-	0.0	-	0.0	-	0.0	-	-	-	-
Others	1,292	9.4	1,375	8.7	1,184	7.0	692	7.3	1,049	16.4
Total	13,705	100.0	15,719	100.0	16,899	100.0	9,420	100.0	6,378	100.0

For the year ended 31 December 2015, 2016 and 2017, large portion of the research and development expenses was staff cost, which accounted for 90.6%, 91.3% and 93.0% respectively of the total research and development costs for the years. The Group's research and development team is mainly responsible for developing software applications and interactive products, such as Mobile APPs, and maintaining the Platform.

The Group's research and development costs for the year ended 31 December 2016 was approximately RMB15.7 million, representing an increase of approximately 14.6% over approximately RMB13.7 million for the year ended 31 December 2015, primarily attributable to the increase in the salaries and welfare of staff in research and development to support its business expansion. The Group's research and development costs further increased by approximately 7.6% to approximately RMB16.9 million for the year ended 31 December 2017, which was primarily attributable to the increase in the average salary paid of core employees in research and development department.

The Group's research and development costs decreased by approximately 31.9% from approximately RMB9.4 million for the six months ended 30 June 2017 to approximately RMB6.4 million for the six months ended 30 June 2018, primarily attributable to the decrease in average headcount in research and development department from 74 for the six months ended 30 June 2017 to 60 for the six months ended 30 June 2018 for cost saving purpose.

Income tax expense

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. For Cayman Island and BVI profit tax, pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI. For Hong Kong profits tax, the subsidiary of the Company incorporated in Hong Kong is subject to Hong Kong profits tax, which is provided at the rate of 16.5% on the estimated assessable profits. No provision for Hong Kong profits tax has been made as the Group had no assessable profit derived from or earned in Hong Kong. For PRC income tax, under the relevant income tax law, the Group's PRC subsidiaries are subject to income tax at a statutory rate of 25% on their respective taxable income, except for those companies received exempted from income tax for two years starting from first year in which they generate taxable profit, followed by a 50% reduction for the next three years.

The Group's income tax expense for the year ended 31 December 2016 was approximately RMB1.5 million, representing an increase of approximately 50% over approximately RMB1.0 million for the year ended 31 December 2015, and the income tax expense was further increased to approximately RMB4.1 million for the year ended 31 December 2017, representing an increase of approximately 173%. The increases in income tax expense for the year ended 31 December 2016 was primarily attributable to the increase in profit before tax. Under the relevant income tax law, one of the Group's PRC subsidiary was certified as software enterprise and is exempted from income tax for its first two profitable years (namely 2015 and 2016) followed by a preferential income tax rate of 12.5% from 2017 to 2019. Hence, there was an increase in PRC tax in 2017 because the exemption period ends in 2016.

The Group's income tax expense decreased by approximately 91.7% from approximately RMB2.4 million for the six months ended 30 June 2017 to approximately RMB0.2 million for the six months ended 30 June 2018, primarily attributable to the decrease in taxable income, which was due to (i) the decrease in profit before tax brought about by the reduced gross profit margin aforementioned; and (ii) the decrease in effective tax rate driven by the change in the composition of taxable profit generated during the period. One of the Group's PRC subsidiary which was under a preferential income tax rate of 12.5% from 2017 to 2019 contributed to a larger portion of taxable income during the six months ended 30 June 2018 compared with the six months ended 30 June 2017.

Profit for the year/period

As a result of the factors described above, the Group's net profit for the year ended 31 December 2016 was approximately RMB42.0 million, representing an increase of approximately 28.4% over approximately RMB32.7 million for the year ended 31 December 2015. The Group's net profit for the year ended 31 December 2017 was approximately RMB37.9 million representing a decrease of approximately 9.8% over the net profit for the year ended 31 December 2016. The Group's net profit margin also increased from 40.9% in 2015 to 49.4% in 2016.

Due to the increase in PRC tax in 2017 and due to the end of exemption period of a subsidiary as stated above, which was partially net off by the expected increase in gross profit margin due to the cessation of business operation in sale of milk powder, the net profit margin of the Group decreased to 41.6% in 2017. The Group will continue to grow its marketing and promotional services business and other business in order to compensate for the increase in PRC tax in 2017.

Primarily as a result of the decrease in gross profit as described above, the Group's net profit decreased by approximately 13.9% from approximately RMB20.9 million for the six months ended 30 June 2017 to approximately RMB18.0 million for the six months ended 30 June 2018. The net profit margin also decreased from approximately 45.6% for the six months ended 30 June 2017 to approximately 38.9% for the six months ended 30 June 2018.

Cash flows

The Group recorded a net operating cash inflow of approximately RMB41.0 million for the year ended 31 December 2016, which was mainly due to the profit before tax of approximately RMB43.4 million for the year ended 31 December 2016, net off by the decrease of working capital, which was mainly attributable by the increase in trade receivables of RMB3.0 million and the decrease in other payables and accruals of RMB3.3 million. The Group also recorded a net operating cash inflow of approximately RMB27.2 million for the year ended 31 December 2017, which was mainly due to the profit before tax of approximately RMB42.0 million for the year ended 31 December 2017, net off by decrease of working capital, which mainly attributable by the increase in trade receivables of RMB12.7 million. The Group also recorded a net operating cash inflow of approximately RMB7.7 million for the six months ended 30 June 2018, which was mainly due to the profit of approximately RMB18.1 million for the six months ended 30 June 2018, net off by the decrease of working capital, which mainly attributable by the increase in trade receivables of approximately RMB6.3 million.

Trade receivables

Trade receivables primarily relate to the provision of marketing and promotion services.

Trade receivables increased from RMB38.9 million as of 31 December 2015 to RMB41.9 million as of 31 December 2016, RMB54.6 million as of 31 December 2017 and RMB60.9 million as of 30 June 2018, representing a growth rate of 7.7%, 30.3% and 11.5% respectively. The increase was in line with the increase in the Group's revenue for the years ended 31 December 2015, 2016 and 2017 and 30 June 2018. As at 10 August 2018, RMB15.9 million or 26.1% of the Group's trade receivables outstanding as of 30 June 2018 were settled.

The Group's trading terms with its customers are mainly on credit. Revenue derived from the provision of marketing and promotional services is recognized over the period during which the service for the relevant service is provided, and the actual billing is generally made upon completion of the contract. The credit period is generally 60-90 days after completion of the service contract. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to customers with a good track record including multinational companies, listed companies and other companies with long business relationship with the Group with no history of default, and there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The Group's trade receivables account for significant portion of the Group's total assets and are typically unsecured, which are exposed to credit risk. Due to the time gap between the Group's revenue recognition and actual billing, a default in payment by customers may expose to greater credit risk. The Group has established and implemented a credit risk management system to minimize risk exposure. The risk is managed by the Group's assessment of its customers' credit worthiness and the ongoing monitoring process of outstanding balances, which include the following internal control measures:

- the customer service department carries out due diligence investigation on new customer who wishes to trade on credit term, including conducting background checks, collecting current information on the operation and financial situation of the customer, checking the required qualifications and reviewing relevant supporting documents provided by the customer, to avoid engaging in business relationships with low credit quality customers;
- the result of investigation will be reviewed by management department, which will verify the accuracy and completeness of the investigation result to decide whether the customer will be granted a credit term;

- the financial department prepares a monthly summary of trade receivables, including status of revenue recognition, billing, payment progress and balance of trade receivable of each customer, which will be sent to customer service department for cross checking, and any overdue trade receivables will be highlighted in the said summary for follow up, including any appropriate legal actions to be taken;
- the customer service department keeps independent records for trade receivable of each customer, and cross checks it with the financial department; the financial manager reviews the result of cross-check monthly, to ensure the accuracy of the records of trade receivables;
- the financial department confirms directly with customers on the balance of trade receivables by written confirmation periodically, to ensure the accuracy of the balance of trade receivables;
- the financial manager prepares aging analysis of trade receivables on a quarterly basis, which will be reported to executive Directors together with the material overdue trade receivables (if any), to ensure executive Directors can oversee the credit risk management in relation to trade receivables;
- the customer service department is responsible for the collection of overdue trade receivables, and for overdue trade receivables which we have identified to be of high potential default risk, a demand letter will be sent to the customer by the lawyer engaged by the Group, or legal proceeding against to the customer will be initiated by us; and
- the audit committee will review and supervise the establishments and executions of internal control systems, including credit risk management.

As a result of the credit risk management system mentioned above, the Directors consider that the Group can effectively manage credit risk of trade receivables.

The table below sets forth the average turnover days of trade receivables for the year/period indicated:

	Year ended 31 December			Six months ended
	2015	2016	2017	30 June 2018
Average trade receivables turnover days ^{Note}	<u>153</u>	<u>174</u>	<u>194</u>	<u>226</u>

Note: Average trade receivables turnover days equals the average of the opening and closing balance of trade receivables for the year/period divided by total revenue for the year/period, multiplied by the number of days for each of the year/period.

The Group's average trade receivable turnover days remained relatively stable at around 6 months. Over 70% of the trade receivables as at 31 December 2016 and 2017 were aged within six months. Average trade receivables turnover days increased during six months ended 30 June 2018 because of the increase in length of service contract period from approximately 75 days for the six months ended 30 June 2017 to approximately 108 days for the six months ended 30 June 2018, if excluded one-off services contracts with both minimal contract sum and contract period, due to the Group's business strategy to focus on brands with larger advertising spending. As the credit period of the Group is generally 60-90 days after the completion of the service contracts, the increase in length of service contract period will delay the repayment as it takes a longer period for the completion of service contracts. Receivables that were past due but not impaired were related to a number of independent customers including listed companies that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Prepayments, deposits and other receivables

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid expense	1,175	42	299	636
Deductible sales tax	565	–	–	–
Employee advance	587	1,080	781	1,066
Rental deposits	18	10	9	12
Other receivable	452	22,164	827	2,914
Prepayment	44	16	228	302
Current portion of loans to employees	–	–	1,290	1,510
	<u>2,841</u>	<u>23,312</u>	<u>3,434</u>	<u>6,440</u>

Prepaid expenses mainly represented prepayments for rental and bandwidth. Deductible sales tax primarily included deductible input VAT arising from intra-group transactions. Other receivables mainly included advances to employees as travelling disbursements and rental deposits. Current portion of loans to employees related to employee home loans as part of the employee's benefit. As at the Latest Practicable Date, the total employee home loans outstanding amounted to RMB11.6 million. There are limited prepayments, deposits and advances made during the Group's ordinary course of business.

The prepayment, deposits and other receivables increased significantly in 2016 primarily attributable to other receivable which mainly represents the purchase of financial product of RMB12.0 million to earn interest income and contract deposit of RMB10.0 million for the cooperation with an independent third party for the research and development of smart medical hardware, which were both fully settled in January 2017, hence the prepayment, deposits and other receivables decreased significantly as at 31 December 2017. The prepayments, deposits and other receivables increased by approximately RMB3.0 million as at 30 June 2018, which was mainly due to advertising and promotion services receivable by the Group from its suppliers. Normally the Group may provide advertising and promotion services to some of its suppliers in exchange of their subsequent goods or services. This other receivable will be subsequently reclassified to trade receivables.

Other payables and accruals

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
Other tax payables	3,351	3,453	4,950	3,989
Other payables	6,552	2,658	3,195	2,960
Employee related payable	4,537	5,068	3,228	2,041
	<u>14,440</u>	<u>11,179</u>	<u>11,373</u>	<u>8,990</u>

Employee related payable was the key component of other payables and accruals, which was approximately RMB4.5 million, RMB5.1 million, RMB3.2 million and RMB2.0 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. Other tax payables represent VAT and surcharges payables, and other payables mainly included the accrued listing expenses and the payables related to bandwidth expense. The increase in other payables and accruals in 2016 was primarily due to (i) the increase in other tax payables from VAT and other surcharge payable to the government from approximately RMB3.4 million as at 31 December 2015 to approximately RMB3.5 million as at 31 December 2016 and further to approximately RMB5.0 million, which was mainly driven by the increase in revenue; (ii) the increase in employee related payable, which comprise mainly staff bonus, from approximately RMB4.5 million as at 31 December 2015 to approximately RMB5.1 million as at 31 December 2016, which was mainly due to the satisfactory financial results of the Group; and (iii) the outstanding balance of approximately RMB4.7 million as at 31 December 2015 due to an early learning product manufacturer for the purchasing of copyright, which was fully settled in January 2016. The employee related payable decreased as at 31 December 2017 was mainly due to repayment subsequent to 31 December 2016.

The decrease in other payables and accruals as at 30 June 2018 was primarily due to the subsequent settlement of employee related payable and also other tax payables.

FINANCIAL INVESTMENTS

Investment policy and criteria

The Group has formed an investment team (the “team”) for the purpose of identifying investment opportunities. The team’s member consisted of the Group’s chief executive officer, chief financial officer, marketing director, technical director and operation director who are experienced in the Internet industry. The team has been continuously paying attention to the market influence and technological development of the investment areas related to the CBM business chain.

As for its investment strategy, in line with its principal business and for its future business development, the Company targets on investments in entities which are principally engaged in CBM and family related business chain and related technology research and development. The Company has adopted investment policies which it will take into account when making its investment decisions. In general, the Company prefers long-term investments as opposed to short-term ones and usually invests in targeted entities for more than one year. For the Company’s mode of investment, the Company may adopt equity investments through acquisition of shareholdings in the targeted entities or loan financings by providing facilities to the targeted entities depending on, among others, potential rate of return which generally shall be not less than 6% per annum or the prevailing one-year fixed deposit interest rate published by the People’s Bank of China (whichever is higher), strategic cooperation with the invested entities of the company, negotiation with the counterparties as well as compliance with legal and regulatory requirements. In order to reduce its participation in the operation and management of its investments so as to focus on its existing business, the Company generally does not invest in more than 20% shareholding in the targeted entities. Besides financial returns, the Company takes into account the synergies from which the potential investments can bring along to the Group in making its investment decisions.

Once the team identifies any potential investment opportunities, it will conduct thorough due diligence on the investment targets which covers various aspects including technical capabilities, personnel composition, financial performance, business and company synergy, business development expectations and corporate governance. If the due diligence results are satisfactory, and taking into account the evaluation, the team will present the investment proposals to the Board. Subject to the requirements of the applicable laws, regulations and rules, any investment decision will be subject to the approval of the Board. For any investment for an amount over RMB15 million, at least one independent non-executive Director must be participated in the Board meeting.

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, save for investments in certain financial products and by way of provision of loan facilities to the targeted entities, most investments of the Group were equity investments for not more than 20% shareholding in third-party companies. These investments were classified as the Group's financial assets at fair value through other comprehensive income. For details of the nature of investments, please see “– Nature of Investment” below. As minority shareholders, the Group does not usually have the right to appoint director to the board of the invested companies nor participate in their operations. For the purpose of safeguarding the investments of the Group and where applicable to enable the sharing of research and development results of the invested entities, in addition to due diligence and evaluation of the investment targets, the invested entities are required to provide periodical reports on the progress of their own business projects and to provide financial reports to the Group, so that the Group is able to monitor the implementation of their business developments as planned on a continuous basis and control financial risks in a timely manner. The Group also strictly requires the invested entities to use the proceeds of the Group's investments for the sole purpose of the planned business development projects as agreed by the Group.

In addition to financial returns, the Directors expect that the investments will create synergies to the Group's business in terms of upgrade in technologies, enrichment of contents as well as expansion of coverage of value-added services which in turn result in enhancement of operational efficiency, user experience and user base. Depending on the business natures of the invested companies, the Group usually requires the invested companies to share their relevant technologies such as artificial intelligence-based technology, blockchain technology and cloud technology , to offer selected contents such as games, animations and audio and video contents of them for the Platform, to share user data and network for promotion of the Group's APPs, and to support the Group's provision of value-added services to its users.

Nature of Investments

For the year ended 31 December 2015

During the year ended 31 December 2015, the Group had made the following investments. The Group had utilized its internal resources to fund the investments which had been settled as at the Latest Practicable Date.

On 28 September 2015 and 21 December 2015, the Group invested in two available-for-sale financial assets in the sum of RMB2.0 million (or approximately HK\$2.4 million) and RMB10.0 million (or approximately HK\$11.9 million) representing 10% equity interest respectively in each of two unlisted corporations engaging in research, development and sales of educational robots and 2D/3D cartoon animation and related toys. The Group subsequently disposed of the aforesaid investments to separate Independent Third Parties at considerations of RMB2.0 million and RMB10.0 million in December 2016 and January 2017 respectively because the Company considered that returns from the aforesaid investments might not meet its original expectation.

For the year ended 31 December 2016

During the year ended 31 December 2016, the Group had made the following investments. The Group had utilized its internal resources to fund the investments which had been settled as at the Latest Practicable Date.

- (1) On 4 January 2016, the Group invested RMB12 million (or approximately HK\$14.2 million) in a principal-guaranteed fixed income financial product with One Road Financial (Beijing) Information Technology Company Limited (一路財富(北京)信息科技有限公司) (“One Road Financial”), a licensed financial institution which primarily invests in money market funds. Such financial product had an expected return rate of 10% and is redeemable by the Group within one year from the date of the investment. The financial product was fully redeemed on 9 January 2017.
- (2) On 7 April 2016, the Group invested RMB25 million (or approximately HK\$29.7 million) in a principal-guaranteed floating income financial product at Bank of Communications Limited which primarily invests in fixed income products such as bonds and other fixed income assets, money market fund and other asset management plan. Such financial product had an expected return rate of 1.80% to 2.95% per annum and with extremely low risk (based on rating provided by the bank) which is generally redeemable by the Group on business days during trading hours. Due to the high liquidity and the low risk of the financial product, the Directors are of the view that such product is very similar to a time deposit placed at a licensed bank. The financial product in the sum of RMB5 million and RMB20 million were fully redeemed on 11 July 2016 and 2 August 2016 respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, the Group had made the following investments. The Group had utilized its internal resources to fund the investments which had been settled as at the Latest Practicable Date.

- (1) In October 2017, Nanjing Xihui, as lender entered into a loan facility agreement with an Independent Third Party, who operates a platform for parent-child consumption. The amount of the loan facility is up to RMB12.0 million (or approximately HK\$14.2 million), bearing interest at a rate of 6.0% per annum for a period of 36 months. The loan was guaranteed by a subsidiary of an A share company.
- (2) In October 2017, Nanjing Xibai, as lender entered into a loan facility agreement with an Independent Third Party, who is principally engaged in providing equipment support to medical institution and developing online platform for health consultation. The amount of the loan facility agreement is up to RMB5.0 million (or approximately HK\$5.9 million), bearing interest at a rate of 8.0% per annum for a period of 18 months. As at 30 June 2018, the loan made to the borrower under the facility agreement amounted to RMB4.0 million.
- (3) In November 2017, Nanjing Xibai, as lender entered into a loan facility agreement with an Independent Third Party, who provides video stream media technology and service to other security organizations. The amount of the loan facility agreement is up to RMB2.0 million (or approximately HK\$2.4 million), bearing interest at a rate of 6.0% per annum for a period of 36 months. As at 30 June 2018, the loan made to the borrower under the facility agreement amounted to RMB1.0 million.
- (4) On 7 November 2017, the Group entered into an agreement for the purchase from an Independent Third Party of 10% equity interest in Shanghai Baiyi Animation Cultural Broadcasting Company Limited (上海百逸動漫文化傳播有限公司) (“Baiyi”) at a consideration of RMB10,000,000 (or approximately HK\$11.9 million) which was determined after arm’s length negotiations with reference to the historical profit and revenue for the previous two years and valuation of Baiyi based on market approach. Baiyi was incorporated in the PRC in July 2014. Baiyi recorded a net profit and revenue of approximately RMB6.3 million and RMB42.8 million for the year ended 31 December 2017, and its net asset and total assets amounted to approximately RMB9.5 million and RMB50.8 million as at 30 June 2018. Baiyi develops rapidly particularly in animation process and sales of accompanying toys. It owns professional animation team and can develop, produce, and communicate 2D/3D cartoon and accompanying toys. Sales channels cover all first and second tier of cities in PRC with more than 100 distributors, covering thousands of primary schools and terminal sales outlet. As the principal products of Baiyi are targeting children, the Group believes that its investment in Baiyi will bring along synergy to its business development. The Group is entitled to utilize selected animations of Baiyi for free which will enrich the contents of its Platform, and to promote its APPs through Baiyi’s retail network which will enhance its user base.

- (5) On 10 November 2017, the Group made investment of RMB15.0 million (or approximately HK\$17.8 million) Nanjing Hongdou Information Technology Company Limited (南京紅豆信息技術有限公司) (“Hongdou”). The consideration was determined after arm’s length negotiations with reference to the historical profit and revenue for the previous two years and valuation of Hongdou based on market approach. The equity holding of the Group in Hongdou was subsequently diluted to 12.3% upon increase in registered share capital of Hongdou pursuant to investment by another third party investor during the first half of 2018. Hongdou was incorporated in the PRC in September 2015. Hongdou recorded a net loss and revenue of approximately RMB128,000 and RMB6.1 million for the year ended 31 December 2017, and its net asset and total assets amounted to approximately RMB50.5 million and RMB50.4 million as at 30 June 2018. H5 games “Her Majesty”(女皇陛下) and “National Palace”(全民宮斗) developed by Hongdou successfully landed on Tencent QQ Games and Qzone Gaming Platform. The Group believes that its investment in Hongdou will enable it to obtain the technology of H5 interactive games and support for its women’s entertainment content development. The Group is entitled to utilize selected games of Hongdou for free which will enrich the contents of its Platform, to apply the H5 application technology developed by Hongdou to enhance the display effects of advertisements of the Group’s customers, and promote its APPs through Hongdou’s game players.
- (6) In December 2017, Star Universal, as lender entered into a loan facility agreement with an Independent Third Party, who is mainly engaged in overseas smart-hardware development. The amount of the loan facility agreement is up to HKD6.0 million, bearing interest at a rate of 6.0% per annum for a period of 36 months. Subsequently, the loan was early repaid on 2 March 2018 and the interest was waived.

According to relevant laws and regulations in the PRC (including but not limited to Contract Law, General Lending Provisions, Provisions of the Supreme People’s Court on Certain Issues concerning Application of Law in Trial of Cases involving Private Lending), the contracts between the Company and the three third-party companies are valid and the principal and interest stipulated in the aforesaid contracts are protected by law. Pursuant to the said loan facility agreements, by evaluating the performance of these third-party borrower companies over a period, the Group has the option to invest in shares of these companies in priority. However, no details regarding the option such as the exercise price and period have been set out in the said loan facility agreements which will be subject to negotiations and agreement with the relevant parties. The Group currently does not intend to make any equity investment in these third-party borrower companies.

For the six months ended 30 June 2018 and up to the Latest Practicable Date

During the six months ended 30 June 2018 and up to the Latest Practicable Date, the Group had made the following investments. All the invested companies are principally engaged in CBM and family related business chain and related technology research and development. The total amount of the investments was approximately HK\$154.4 million, which was funded by the net proceeds of the Placing and had been settled as at the Latest Practicable Date. For further details of the use of proceeds of the Placing, please refer to the section headed “Use of Proceeds” in this announcement.

- (1) In June 2018, the Group acquired 10% equity interest of Nanjing Depth Element Artificial Intelligence Technology Development Company Limited* (南京深度元素人工智能技術研發有限公司) (“Depth Element”) from an Independent Third Party at the consideration of RMB5.0 million (or approximately HK\$5.9 million) which was determined after arm’s length negotiations with reference to the estimated revenue for the coming three years and valuation of Depth Element based on market approach. Depth Element was incorporated in the PRC in March 2018, and had not recorded any revenue up to 30 June 2018. The principal activities of Depth Element are the provision of artificial intelligence-based technology: item identification, human body identification, path recognition, behavior recognition; and the provision of analysis services based on the above identification technologies: crowd analysis, business analysis, personalized recommendation and marketing, intelligent shopping guide. As at the Latest Practicable Date, Depth Element has launched its system for testing and first phase data collection and analysis. It is agreed that Depth Element shall share its technology including the artificial intelligence-based identification technology with the Group for free. It is expected that by applying the identification technology of Depth Element, the Group will be able to obtain offline consumer behavior data for infant users and access offline promotion portals for its sales.
- (2) In June 2018, the Group acquired 10% equity interest of Nanjing Shenkong Vision Artificial Intelligence Technology Development Company Limited* (南京深空視線人工智能技術研發有限公司) (“Shenkong Vision”) from an Independent Third Party at the consideration of RMB5.0 million (or approximately HK\$5.9 million) which was determined after arm’s length negotiations with reference to the estimated revenue for the coming three years and valuation of Shenkong Vision based on market approach. Shenkong Vision was incorporated in the PRC in March 2018, and had not recorded any revenue up to 30 June 2018. The principal activities of Shenkong Vision are the provision of auto-cruise, path planning and other functions for robots with the use of self-developed vSLAM system combined with artificial intelligence technology; and human tracking and educational interaction with natural language understanding with the use of monocular camera. As at the Latest Practicable Date, Shenkong Vision has launched its AI algorithm and had completed the first phase for indoor 3D space reconstruction, automatic walking, testing on a home robot, and has planed to embark production during 2018. It is agreed that Shenkong Vision shall share its technology with the Group for free. The Group expects to acquire relevant technology and gains access to built-in programs in home robots through its investment in Shenkong Vision. The Directors believe that the technology of Shenkong Vision in particular the natural language recognition technology will enhance the interactivity of the Group’s products and its users. Furthermore, Shenkong Vision will share the data of its family users from which the Group will be able to explore business opportunities.

- (3) In June 2018, the Group acquired 10% equity interest of Nanjing Duoazan Health Technology Company Limited* (南京多贊健康科技有限公司) (“Duoazan Health”) from an Independent Third Party at the consideration of RMB5.0 million (or approximately HK\$5.9 million) which was determined after arm’s length negotiations with reference to the estimated revenue for the coming three years and valuation of Duoazan Health based on market approach. Duoazan Health was incorporated in the PRC in March 2018, and had not recorded any revenue up to 30 June 2018. Duoazan Health has committed to establish healthy pregnancy management and knowledge service platform in China. It provides paid knowledge and online medical services to Chinese families, enabling the provision of paid knowledge and medical services to more families by the national obstetricians and pediatricians with the removal of institutional constraints. As at the Latest Practicable Date, Duoazan Health has contracted with over 200 medical practitioners for provision of online medical services. Through its investment in Duoazan Health, the Group intends to expand the range of value-added services for users of the childcare network and gain access to online consultation services for CBM users. Duoazan Health will also organize seminars on selected topics to the Group’s CBM users on a regular basis.
- (4) In June 2018, the Group acquired 10% equity interest of Nanjing Zhiren Cloud Information Technology Company Limited* (南京智人雲信息技術有限公司) (“Zhiren Cloud”) from an Independent Third Party at the consideration of RMB5.0 million (or approximately HK\$5.9 million) which was determined after arm’s length negotiations with reference to the estimated revenue for the coming three years and valuation of Zhiren Cloud based on market approach. Zhiren Cloud was incorporated in the PRC in March 2018, and had not recorded any revenue up to 30 June 2018. The principal activities of Zhiren Cloud are the provision of container cloud management platform, artificial intelligence cloud platform, public cloud and private cloud services based on microservices. Zhiren Cloud plans to launch its public cloud and private cloud technology by end of 2018. Through its investment, the Group is entitled to share for free the cloud services technology of Zhiren Cloud to support its business development in terms of technological upgrade in data analysis, storage, processing and sharing.

- (5) In June 2018, the Group acquired 10% equity interest of Nanjing Jufeng Engine Information Technology Company Limited* (南京颶風引擎信息技術有限公司) (“Jufeng Engine”) from an Independent Third Party at the consideration of RMB5.0 million (or approximately HK\$5.9 million) which was determined after arm’s length negotiations with reference to the estimated revenue for the coming three years and valuation of Jufeng Engine based on market approach. Jufeng Engine was incorporated in the PRC in June 2018, and had not recorded any revenue up to 30 June 2018. The principal activities of Jufeng Engine are the operation of distributed applications with the support of new blockchain, and the provision of high-performance computing with low cost and high yield by establishing a distributed cloud infrastructure. As at the Latest Practicable Date, Jufeng Engine has launched the distributed computing platform based on blockchain, and tested the AI algorithm and computing power in the market. Through its investment, the Group is entitled to share for free the relevant distributed computing power of Jufeng Engine to support its business development by enhancing its efficiency in data analysis and lowering its cost in data processing and storage.
- (6) In June 2018, the Group acquired 10% equity interest of Nanjing Free Chain Information Technology Company Limited* (南京自由鏈信息技術有限公司) (“Free Chain”) from an Independent Third Party at the consideration of RMB5.0 million (or approximately HK\$5.9 million) which was determined after arm’s length negotiations with reference to the estimated revenue for the coming three years and valuation of Free Chain based on market approach. Free Chain was incorporated in the PRC in June 2018, and had not recorded any revenue up to 30 June 2018. The principal activities of Free Chain are the establishment of interconnections between internet devices in different regions with its unique solutions, construction of decentralized transmission network to achieve independent collaboration and the expansion of business scale. Such kind of internet is not subject to the limitation of computing power and storage, thus empowering the internet with strong expansion capabilities to achieve true decentralization, openness, self-motivation, privacy and security. As at the Latest Practicable Date, Free Chain has launched its business platform for trial operation. It is agreed that Free Chain shall share its technology with the Group for free. Through its investment in Free Chain, the Group intends to gain relevant technology to support its business development. The operational efficiency of its Platform will be enhanced by applying the decentralized transmission network technology of Free Chain.

- (7) In June 2018, the Group acquired 12% equity interest of Nanjing Duomai Information Technology Company Limited* (南京多麥信息科技有限公司) (“Duomai Information”) from an Independent Third Party at the consideration of RMB8.0 million (or approximately HK\$9.6 million) which was determined after arm’s length negotiations with reference to the estimated revenue for the coming three years and valuation of Duomai Information based on market approach. Duomai Information was incorporated in the PRC in January 2017. Duomai Information recorded a net loss and revenue of approximately RMB79,000 and RMB2.7 million for the year ended 31 December 2017, and its net asset and total assets amounted to approximately RMB7.8 million and RMB8.5 million as at 30 June 2018.. Duomai Information is a service company for mother-child businesses. It provides assistance for privatized customer assets during the Internet era, expanding the Internet customer base and improving operational efficiency through its products and services. In particular, through the provision of integrated solutions such as micromalls, new retailing and mini programs, it provides assistance for the transformation and upgrade towards smart business for small and medium-sized mother-child enterprises, thus helping those enterprises achieve smart business with technology-driven business innovation. As at the Latest Practicable Date, Duomai Information has gained access to over 500 retail stores and reached over 500,000 users. Duomai Information will share its user base with the Group and through connection to the Platform, offer value-added services and discounted items to the Group’s users. The Group and Duomai Information will also cooperate in promotion and marketing campaigns. The Group considers that investment in Duomai Information will effectively expand the online and offline retail channels of the Group’s major business customers which are important in fortifying the existing business customer base of the Group.
- (8) In June 2018, the Group acquired 15% equity interest of Nanjing Luobo Information Technology Company Limited* (南京蘿播信息技術有限公司) (“Luobo Information”) from an Independent Third Party at the consideration of RMB12.0 million (or approximately HK\$14.3 million) which was determined after arm’s length negotiations with reference to the estimated revenue for the coming three years and valuation of Luobo Information based on market approach. Luobo Information was incorporated in the PRC in January 2018, and had not recorded any revenue up to 30 June 2018. The principal activities of Luobo Information are the provision of educational, marketing and social services to its customers across the network for baby-children businesses through the distribution of audio and video contents and the management capabilities of the communities. As at the Latest Practicable Date, Luobo Information has commenced to provide services to four key customers covering 30 million users. The Group is entitled to utilize selected audio and video contents of Luobo Information for free which will enrich the contents of its Platform, and to promote its APPs through Luobo Information’s network which will enhance its user base. Through its investment in Luobo Information, the Group will effectively expand and make up for the service capabilities of the large customers of the Group under the pan-network conditions.

- (9) In June 2018, the Group acquired 10% equity interest of Nanjing Baicheng Medical Technology Company Limited* (南京柏橙醫療科技有限公司) (“Baicheng Medical”) from an Independent Third Party at the consideration of RMB8.0 million (or approximately HK\$9.6 million) which was determined after arm’s length negotiations with reference to the estimated revenue for the coming three years and valuation of Baicheng Medical based on market approach. Baicheng Medical was incorporated in the PRC in December 2015. Baicheng Medical recorded a net loss and revenue of approximately RMB6,000 and RMB1,000 for the year ended 31 December 2017, and its net asset and total assets amounted to approximately RMB7.4 million and RMB7.5 million as at 30 June 2018.. The principal activities of Baicheng Medical are the provision of one-stop integrated information system construction for hospitals, and the construction of end-to-end medical service platform covering pre-diagnosis, in-diagnosis and post-diagnosis stages. As at the Latest Practicable Date, about 30 hospitals and clinics have deployed the system of Baicheng Medical serving a population of over 100,000 patients. Having system capabilities and product advantages in cloud-based family medical and smart medical areas, Baicheng Medical is able to assist the Group’s Platform to better connect and serve the mother-child families through the Internet. The Group and Baicheng Medical agreed to have business cooperation in Internet medical area whereby Baicheng Medical shall provide professional support to the contents of the Group’s Platform and assist the Group’s provision of value-added services to its users.
- (10) In June 2018, the Group acquired 10% equity interest of Nanjing Suichuang Xiupu Information Technology Company Limited* (南京速創秀普信息科技有限公司) (“Suichuang Xiupu”) from an Independent Third Party at the consideration of RMB10.0 million (or approximately HK\$11.9 million) which was determined after arm’s length negotiations with reference to the estimated revenue for the coming three years and valuation of Suichuang Xiupu based on market approach. Suichuang Xiupu was incorporated in the PRC in January 2018, and had not recorded any revenue up to 30 June 2018. The principal activities of Suichuang Xiupu are the provision of microservice cloud application platform, which is a one-stop PaaS platform service designed for mother-child enterprises, providing application cloud hosting solutions to assist enterprises simplify application lifecycle management such as deployment, control, operation and maintenance; and the provision of microservice framework, compatible mainstream open source ecosystem, specific development framework and platform without binding. As at the Latest Practicable Date, Suichuang Xiupu has launched its application platform. It is agreed that Suichuang Xiupu shall share its technology with the Group for free. Suichuang Xiupu is able to assist the small and medium-sized mother-child enterprises that are connected to CI Web to speedily establish distributed applications based on microservice structure.

- (11) In June 2018, the Group acquired 10% equity interest of Nanjing Yunqulu Network Technology Company Limited* (南京雲曲率網絡科技有限公司) (“Yunqulu”) from an Independent Third Party at the consideration of RMB5.0 million (or approximately HK\$5.9 million) which was determined with reference to the estimated revenue for the coming three years and valuation of Yunqulu based on market approach. Yunqulu was incorporated in the PRC in May 2017, and had not recorded any revenue up to 30 June 2018. Yunqulu is a mother-child business incubator company with branches in Australia and the United States. Similar to the innovative factory in the mother-child industry, Yunqulu provides angel funding, technical support and staff training for the startup mother-child enterprises. As at the Latest Practicable Date, Yunqulu has served over 50 startup enterprises. The Group expects that Yunqulu will provide effective incubator services for startup mother-child enterprises on its Platform. It is also agreed that Yunqulu shall provide relevant investment and financing services to the Group which include provision of updated industry data and investment information relevant to CBM business chains, arrangement of conferences for potential CBM business chains investment projects as well as assistance to the Group in standardization of management level.
- (12) In June 2018, the Group acquired 10% equity interest of Nanjing Xinmenghui Education Technology Company Limited* (南京芯萌匯教育科技有限公司) (“Xinmenghui”) from an Independent Third Party at the consideration of RMB5.0 million (or approximately HK\$5.9 million) which was determined with reference to the estimated revenue for the coming three years and valuation of Xinmenghui based on market approach. Xinmenghui was incorporated in the PRC in January 2018, and had not recorded any revenue up to 30 June 2018. Xinmenghui is a service provider for online baby and children education. As at the Latest Practicable Date, Xinmenghui has signed contracts with four early education center chains, and early education products based on music, mathematics, art, and English were under development. It provides interactive learning systems and contents to families with babies and children through a combination of unique contents, technology and system, effectively extending the online educational service capabilities of the Group to those families. Xinmenghui will share its user base with the Group and through connection to the Platform, offer value-added services and discounted items to the Group’s users. The Group and Duomai Information will also cooperate in promotion and marketing campaigns.

- (13) In June 2018, the Group acquired 19.5% equity interest of Beijing Changsheng Clinic Company Limited* (北京昌盛門診部有限公司) (“Changsheng”) from an Independent Third Party at the consideration of RMB5.0 million (or approximately HK\$5.9 million) which was determined with reference to the estimated revenue for the coming three years and valuation of Changsheng based on market approach. Changsheng was incorporated in the PRC in January 2016. Changsheng recorded a net loss and revenue of approximately RMB78,000 and RMB6,000 for the year ended 31 December 2017, and its net asset and total assets amounted to approximately RMB279,000 and RMB5.6 million as at 30 June 2018. The principal activity of Changsheng is the provision of family and general medical services with an aim to serving patients in the city center. The Group and Changsheng agreed to have business cooperation in Internet medical area. Through its investment in Changsheng, the Group expects to gain access to the offline medical services to expand the range of value-added services for the users of its Platform. The Group is also allowed to promote its APPs to potential CBM customers of the users of Changsheng’s services.
- (14) In June 2018, the Group acquired 19.5% equity interest of Beijing Chengjiyuan Clinic* (北京誠濟源診所) (“Chengjiyuan”) from an Independent Third Party at the consideration of RMB5.0 million (or approximately HK\$5.9 million) which was determined with reference to the estimated revenue for the coming three years and valuation of Chengjiyuan based on market approach. Chengjiyuan was incorporated in the PRC in October 2011. Chengjiyuan recorded a net loss and revenue of approximately RMB6,000 and RMB57,000 for the year ended 31 December 2017, and its net asset and total assets amounted to approximately RMB20,000 and RMB5.1 million as at 30 June 2018. The principal activity of Chengjiyuan is the provision of family and general medical services with an aim to serving patients in the new suburban residential areas. The Group and Chengjiyuan agreed to have business cooperation in Internet medical area. Through its investment in Chengjiyuan, the Group expects to gain access to the offline medical services to expand the range of value-added services for the users of its Platform. The Group is also allowed to promote its APPs to potential CBM customers of the users of Chengjiyuan’s services.

(15) On 3 July 2018, Star Universal, an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement for the subscription of 18% of the enlarged share capital of CLOUD TECH LIMITED (“CLOUD”) at a consideration of HK\$50,000,000, which was determined with reference to the estimated revenue for the coming three years and valuation of CLOUD based on market approach. CLOUD TECH LIMITED is an Independent Third Party and will be principally engaged in the research and development of blockchain technology. CLOUD had not recorded any revenue up to 30 June 2018. The projects of CLOUD are expected to complete research and development in the first half of 2019 and commence operation in the second half of 2019. The projects of CLOUD focus on the application of blockchain technology in various scenarios including global education platform. Since blockchain technology allows implementation of decentralised trustworthiness mechanism on existing online platforms and application services based on smart contracts, it enhances safety and efficiency of its application scenario and hence user experience of the relevant application. It is agreed that the Group will be authorized to use CLOUD’s technology to enhance its technical standards and to provide users with smarter, safer and more convenient services. The Group believes that its investment in CLOUD and its blockchain technology and its application will enable the Group to catch up with the latest development of the Internet and effectively expand its scope of services. For further details of the investment in CLOUD, please refer to the announcements of the Company dated 3 July 2018 and 20 August 2018.

Treasury policy

The Group invests its surplus cash in financial investments since the Directors believe they have low risks and offer better returns than cash deposits at licensed commercial banks in the PRC.

In making an investment decision, the Group takes into account the following investment criteria:

- Investments in financial investments shall be made when the Group is not required for its short-term working capital purpose;
- Members of senior management, including the chief executive officer and chief financial officer shall consider the criteria of the investments, including but not limited to liquidity, risk and expected return; and
- The investments shall generally be short-term (i.e. periods of not more than one year) and of non-speculative nature in order to maintain liquidity and financial flexibility.

Risk management policy

The risk management policies adopted by the Group are as follows:

- The Company established a risk management group consisting of its project development department, investment committee, finance department and risk management department;
- The Group's project development department is mainly responsible for proposing financial products recommendations that meet the Company's working capital and financial needs, including the type of investment product, the licensed financial institution issuing the investment product, the estimated profitability, the maturity date and the risk level and drafting proposals for approval;
- The Group's risk management department is responsible for monitoring the financial products before and after making the investment. It is mainly responsible for identifying the risk of the Group, implementing the risk assessment standards, monitoring, analyzing and controlling the operational risk, collecting relevant data for risk analysis from various departments of the Company, and the presentation of such risk analysis summaries to the Board, the investment committee and the Audit Committee of the Company;
- The Group's investment committee is responsible for approving all financial products which, if more than RMB15.0 million, also requires the approval of the Board members; and
- The Group's finance department is mainly responsible for ensuring full and accurate disclosures of relevant investments made, providing relevant financial data to the risk management department for risk controls; regular communications with the risk management department to analyse and to devise risk management measures to be implemented, which includes avoiding risks, mitigating risks, transforming risks into opportunities and accepting risks.

FINANCE LEASE RECEIVABLES

The Company wishes to clarify that although the Group had finance lease receivables for the financial year ended 31 December 2015, the Group did not enter into the finance lease market. The Group only entered into a one-off transaction as more particularly described below and did not have any material impact on the results of the Group. Such transaction which is akin to a sales and leaseback transaction is only classified as a finance lease solely due to accounting treatment under the IFRS.

On 29 August 2015 and 29 October 2015, Nanjing Xibai entered into two copyright assignment agreements (著作權轉讓協議書) with I-Toys Commerce and Trade (Shanghai) Co., Ltd (hereinafter referred as I-Toys). Pursuant to such agreements, among others, Nanjing Xibai agreed to purchase several copyrights owned by I-Toys with the total consideration of RMB15,000,000.

On 29 August 2015, Nanjing Xibai entered into a copyright licensing contract (著作權許可使用合同) with I-Toys. Pursuant to such contract, among others, Nanjing Xibai granted to I-Toys a non-exclusive right to use the aforementioned copyrights owned by Nanjing Xibai with an annual licensing fee of RMB2,000,000. Such licensing fee shall be paid before 1 November of each year starting from 30 October 2015 and ending by 30 October 2025. Nanjing Xibai subsequently disposed of the aforesaid copyrights to an Independent Third Party at a consideration of RMB15,000,000 in December 2016 and the copyright licensing contract between Nanjing Xibai and I-Toys was terminated accordingly, as the Company considered that effects from the cooperation with I-Toys could not meet its original expectation and the disposal would provide better returns to the Group.

According to the Measures on the Administration of Foreign Investment in the Leasing Industry (the “**Measures of Foreign Investment in the Leasing Industry**”), finance lease assets (the “**Finance Lease Assets**”) under the Measures of Foreign Investment in the Leasing Industry mainly includes the following:

- (i) movable properties such as manufacturing equipment, telecommunication equipment, medical equipment, scientific and research equipment, inspection and testing equipment, engineering and machinery equipment and office equipment;
- (ii) transportation equipment, such as airplanes, automobiles and ships; and
- (iii) intangible assets such as software and technology that are attached to moveable properties and transportation equipment mentioned above, provided that the value of such attached intangible assets shall not exceed half of the value of the movable properties or transportation equipment they are attached to qualified lease objects under a finance lease.

The PRC Legal Advisers are of the view that since the copyright assignment and licensing arrangements between the Group and I-Toys only related to copyright and such copyright is not attached to any moveable properties and transportation equipment, the copyright assignment and licensing arrangements taken as a whole shall not be deemed as finance lease assets regulated under the Measures of Foreign Investment in the Leasing Industry. Since the copyright in the transaction with I-Toys does not fall within the meaning of finance lease assets, the PRC Legal Advisers are of the view that:

- (i) Nanjing Xibai's transaction with I-Toys does not require any requisite license or approval under the applicable PRC laws and regulations; and
- (ii) Nanjing Xibai's transaction with I-Toys complies with all the applicable PRC laws and regulations.

STRATEGIC COOPERATION AGREEMENTS

The Group entered into three strategic cooperation agreements during the years ended 31 December 2015 and 2017.

On 30 January 2015, the Company entered into a strategic cooperation framework agreement with One Road Financial for a term of 2 years from 30 January 2015 to 31 December 2017. Pursuant to this agreement, One Road Financial, which has the qualifications to engage in securities investment and fund sales, will rely on the Group's channels for the advertising its financial products. During the course of cooperation, the Group can advertise and market to its members the financial products of One Road Financial through the Platform, and subject to definitive agreements, One Road Financial shall pay a certain percentage of the amounts of the financial products sold to the Group as service fee. Upon giving prior notice to One Road Financial, the Group can advertise and market such financial products on the Platform and the Group shall ensure compliance of the advertising and marketing materials. In the course of advertising the financial products, the Group shall present the true features of the financial products and highlight its risk features.

On 13 November 2015, the Company entered into a strategic cooperation memorandum of understanding with Townhealth Corporate Advisory and Investment Limited ("**Townhealth**") whereby the Company shall introduce Town Health's medical tourism module for Hong Kong (康健香港醫療旅遊板塊) into the Company's Mobile APPs, namely Pregnancy Reminder (孕期提醒) and Mother Zone (媽媽社區), and the Company's website the CI Web (育兒網) for the promotion of Town Health's brand name and its healthcare and related services. The strategic cooperation memorandum of understanding with Townhealth has not specified the term of cooperation and was intended to record the preliminary mutual understanding between the parties and was not intended to be legally binding on the relevant parties (save for the provisions relating to confidentiality and governing law). No definitive agreement in relation to the strategic cooperation with Townhealth has been entered into after signing of the memorandum of understanding and up to the Latest Practicable Date.

On 18 December 2015, the Group entered into a strategic cooperation framework agreement with Nanjing Tuniu International Travel Agency Limited (“**Tuniu Travel**”), the parties agree to use their respective strengths and resources to provide high-quality services to members of other party and cooperate in areas including but not limited to: (i) provision of value-added services to respective members; (ii) mutual membership recognition (iii) mutual membership points recognition and redemptions; and (iv) joint-marketing and promotion. Pursuant to the strategic cooperation framework agreement, Tuniu Travel, as an online leisure travel company in the PRC, would provide customized tourism services to the Group’s members with higher level of memberships, while the Group, as an operator of online platform focusing on the CBM market, would provide value-added parent-child services to targeted members of Tuniu Travel. The strategic cooperation framework agreement with Tuniu Travel had a term of one year effective from 18 December 2015. The parties further agreed to continue such strategic cooperation upon expiry of the initial one-year term. The strategic cooperation framework agreement with Tuniu Travel sets out the framework for the strategic cooperation between the parties and was not intended to be legally binding on the relevant parties (save for the provisions relating to confidentiality and governing law). No definitive agreement in relation to the strategic cooperation with Tuniu Travel has been entered into after signing of the framework agreement and up to the Latest Practicable Date.

On 9 May 2017, the Group entered into a memorandum of understanding on strategic cooperation with Kingdom Music Education Group Limited (“**Kingdom Music**”), a, pursuant to which, subject to definitive agreement, Kingdom Music agreed to use the Company’s flagship platform for educational support services and recruitment of students for the international music training centres operated by Kingdom Music. Kingdom Music is the only company authorized by the Royal College of Music, a higher education institution established by the Royal Charter in 1882, to provide music education training to students aged 18 years old and under in the PRC. Kingdom Music is a company incorporated with limited liability under the laws of the BVI and is controlled as to 30% by Mr. Zhang Lake Mozi, an executive Director, hence Kingdom Music is a connected person of the Company. The strategic cooperation memorandum of understanding with Kingdom Music has not specified the term of cooperation and is intended to set out the framework of the strategic cooperation between the Group and Kingdom Music. No definitive agreement in relation to the strategic cooperation with Kingdom Music has been entered into after signing of the memorandum of understanding and up to the Latest Practicable Date.

No revenue was derived from and no fees were paid to the other party in relation to the Group’s strategic cooperation arrangements with Townhealth, Tuniu Travel, One Road Financial and Kingdom Music. The Group entered into these collaborative arrangements with these partners with a view to (i) developing synergies with them which the Group targets to expand the number of members and related traffic visiting the Group’s online platforms; (ii) broadening the Group’s client groups; and (iii) increasing member stickiness of the Group’s online platforms by providing more content and services to its members.

RECENT DEVELOPMENT

Since the Listing on 8 July 2015, the Group has continued to actively explore opportunities with partners to achieve the maximum of synergies, settle in the Hong Kong market to vigorously develop cross-border services, gradually open up overseas market in the mother-child industry, bring services of higher quality for the domestic mother-child industry, and set up higher industry standards.

For the period subsequent to 30 June 2018 and up to the Latest Practicable Date, the Company has entered into various contracts with brand customers and advertising agencies for the provision of marketing and promotional services, the total contract sum of which was approximately RMB10.4 million.

The Directors confirm that subsequent to 30 June 2018 and up to the date of this announcement, there has been no material adverse changes in the financial or trading position or prospects of the Group.

USE OF PROCEEDS

The Company's net proceeds from the Placing amounted to approximately HK\$276.4 million (the "**Net Proceeds**") after taking into account the partial exercise of the over-allotment option in connection with the Listing (the "**Over-allotment Option**"). As at the Latest Practicable Date, the Group had utilised approximately HK\$154.4 million of the Net Proceeds. The unutilised Net Proceeds in the amount of approximately HK\$122.0 million has been deposited in banks.

The Company has adjusted the allocation of the Net Proceeds a few times after the Listing. Reference is made to the announcement of the Company dated 3 July 2018 for the latest proposed allocation of the Net Proceeds. As disclosed in the announcement of 3 July 2018, HK\$166.6 million of the Net Proceeds is allocated for acquisition of or investment in companies engaging in CBM and family related business chain and related technology research and development. The Group is a vertical online platform for the CBM market. In relation to its business development, family-related business of the Group refers to business that uses Internet technology to address the needs of new generation home consumers as target customers, such as early education, entertainment, health and services. On the basis of its existing core business, the family-related business of the Group still adheres to the original family-based user groups of its CBM platform, and forms a new maternal and child ecological layout with diversified maternal and child family 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.

Part of the Net Proceeds allocated for acquisition of or investment in companies engaging CBM and family related business chain and related technology research and development as mentioned above was originally allocated for development of e-commerce business and related O2O business as well as acquisition of or investment in other O2O and CBM related businesses. 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. In relation to the CBM and family related business chains, the Internet industry has experienced rapid changes in terms of its greater demand for diversified contents for online platforms such as games, animations and audio and video contents, and advancements and innovations in technologies such as artificial intelligence technology, blockchain technology and cloud technology. As such, the Group plans to adjust the use of the Net Proceeds accordingly. By allocation of the Net Proceeds for family-related businesses as mentioned above, the Group intends 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.

During the six months ended 30 June 2018 and up to the Latest Practicable Date, the Group has used HK\$154.4 million of the Net Proceeds for investments in companies engaging in CBM and family related business chains and related technology research and development. For further details of the Group's investments in this regard, please refer to "Financial Investments – Nature of Investments" above in this announcement.

The Company did not apply the Net Proceeds as planned since (a) the Group is operating in the Internet industry which is an industry undergoing rapid changes; and (b) there has been material fluctuation in the exchange rate of the Hong Kong dollar against the Renminbi, therefore the Group adopted a conservative approach by (i) remitting and exchanging part of the net proceeds to Renminbi; and (ii) utilizing its internal resources, its revenues and borrowings first, so as to leave the unused net proceeds for future uses as planned in the Prospectus and the Group will report to the public should such changes materialise in the future. The Group had converted a total amount of approximately HK\$126 million out of the Net Proceeds since the Listing and up to the Latest Practicable Date. The conversion of Hong Kong dollar to Renminbi took place in eight batches from July 2015 with an exchange rate of HK\$1.00 to RMB0.78908 to May 2018 with an exchange rate of HK\$1.00 to RMB0.81754. As the Company then expected that the exchange rate of Hong Kong dollar against Renminbi would continue to go up, and taking into account of the abundance of its internal resources, the Company decided to remit and exchange the remaining net proceeds of the Placing at a later stage. The Group had not utilized the converted RMB funds but applied its internal resources for its business targets as disclosed in the Prospectus because at the material time in around February 2016, the Company recognized that the Group had demonstrated sound performance for the year ended 31 December 2015 and decided to firstly apply the internal resources generated from its business operations for its business targets. The Company will take into account various factors, including the availability of funds from its operations and the market conditions in general in deciding whether and when to convert the remaining Net Proceeds.

Business target as disclosed in the Prospectus and the announcement of the Company dated 3 July 2018	Latest allocation of Net Proceeds as per the announcement of the Company dated 3 July 2018 (HK\$)	Original allocation of Net Proceeds as per the implementation plans of use of proceeds set out in the Statement of Business Objective and the Use of Proceeds section in the Prospectus (HK\$)	Net Proceeds/ Amount used by the Group from its internal resources in relation to each of the business plan up till the Latest Practicable Date (HK\$)	Comparison of original allocation of Net Proceeds against actual use of Net Proceeds and/or internal resources up till the Latest Practicable Date
Strengthening research and development capabilities	–	55.3 million	Net Proceeds: Nil Internal resources: 60.4 million	More of HK\$5.1 million. As per announcement dated 3 July 2018, the Company does not intend to use any of the Net Proceeds for this purpose.
				<p>Among the total amount of approximately HK\$60.4 million used by the Group from its internal resources up to the Latest Practicable Date in relation to strengthening research and development capabilities, approximately HK\$18.9 million was used for the existing technical maintenance and the remaining approximately HK\$41.5 million was used for the business plans specified in the Prospectus which covers: (i) increasing original contents in the Platform and improve user interface; (ii) developing new web-based and Mobile APPs CBM products to maintain market position; and (iii) developing interactive family entertainment system products, early learning products and early learning centre management system. The difference in the intended amount of proceeds and the actual amount used for the business plans in relation to strengthening research and development capabilities was mainly due to the adjustments in original contents, APPs and products developed or to be developed in response to changes in market demand. The Company has reached its target for this business strategy as per the implementation plans of use of proceeds set out in the Statement of Business Objective and the Use of Proceeds section in the Prospectus without utilising the net proceeds from the Placing. The Group has developed various original contents, such as original series video and original maternal and child program, and has initiated live stream covering multiple platforms. The Group's platforms and products emphasize more on sharing and interactions with users. The Group consistently improves its user interface and develop new interactive products. The Group also keeps developing differentiated service products. The Group has conducted research and development in children's early education and family entertainment. Currently, the Group has worked with top-tier partners in China to co-develop contents of early education course for 0-6 years' old children and have maintained and upgraded the system of products.</p>

Business target as disclosed in the Prospectus and the announcement of the Company dated 3 July 2018	Latest allocation of Net Proceeds as per the announcement of the Company dated 3 July 2018 (HK\$)	Original allocation of Net Proceeds as per the implementation plans of use of proceeds set out in the Statement of Business Objective and the Use of Proceeds section in the Prospectus (HK\$)	Net Proceeds/ Amount used by the Group from its internal resources in relation to each of the business plan up till the Latest Practicable Date (HK\$)	Comparison of original allocation of Net Proceeds against actual use of Net Proceeds and/or internal resources up till the Latest Practicable Date
Enhancing the user base and Internet traffic of the Platform	–	55.3 million	Net Proceeds: Nil Internal resources: 4.5 million	Less of HK\$50.8 million. As per announcement dated 3 July 2018, the Company does not intend to use any of the Net Proceeds for this purpose.

Due to rapid changes in the Internet industry in the past two financial years, the Company was able to reach its target for this business strategy as per the implementation plans of use of proceeds set out in the Statement of Business Objective and the Use of Proceeds section in the Prospectus by significantly enhance its user base and Internet traffic without relying much on its financial resources. The difference in the intended amount of proceeds and the actual amount used for the business plans in relation to enhancement of user base and Internet traffic of the Platform was mainly due to the success of the Group's original contents, APPs and products as well as its marketing and promotion activities.

User figures of 2017 compared to that of 2016

The MAU and DAU of the Group's flagship platform CI Web, increased by approximately 62.0% and 50.0% respectively.

The MAU and DAU of the Group's two major APPs "Pregnancy reminder" (孕期提醒) and "Mother Zone" (媽媽社區) increased by 35.9% and 27.8% respectively.

User figures of 2016 compared to that of 2015

The MAU and DAU of the Group's flagship platform. CI Web, increased by approximately 61.9% and 84.6% respectively.

The MAU and DAU of the Group's two major APPs "Pregnancy reminder" (孕期提醒) and "Mother Zone" (媽媽社區) increased by 290.0% and 260.0% respectively.

Business target as disclosed in the Prospectus and the announcement of the Company dated 3 July 2018	Latest allocation of Net Proceeds as per the announcement of the Company dated 3 July 2018 (HK\$)	Original allocation of Net Proceeds as per the implementation plans of use of proceeds set out in the Statement of Business Objective and the Use of Proceeds section in the Prospectus (HK\$)	Net Proceeds/ Amount used by the Group from its internal resources in relation to each of the business plan up till the Latest Practicable Date (HK\$)	Comparison of original allocation of Net Proceeds against actual use of Net Proceeds and/or internal resources up till the Latest Practicable Date
Developing e-commerce business and related O2O business	–	55.3 million	Net Proceeds: Nil Internal resources: 3.7 million	Less of HK\$51.6 million. As per announcement dated 3 July 2018, the Company does not intend to use any of the Net Proceeds for this purpose. The difference in the intended amount of proceeds and the actual amount used for the business plans in relation to development of e-commerce and related O2O business was mainly due to the adjustment of development schedule taking into account the market conditions. As a result of the rapid changes in the Internet industry and intense competition in the e-commerce market, the Group considered that the development of e-commerce business and related O2O business to be operated by the Group directly would require substantial investment which outweighs its benefits. The Group decided to divert the net proceeds originally allocated for this purpose to acquisition of or investment in companies engaging in CBM and family related business chains and related technology research and development.
Acquisition of or investment in other companies engaging in O2O and CBM related businesses	–	55.3 million	Net Proceeds: Nil Internal resources: 31.2 million	Less of HK\$24.1 million. As per announcement dated 3 July 2018, the Company does not intend to use any of the Net Proceeds for this purpose. The difference in the intended amount of proceeds and the actual amount used for the business plans in relation to acquisition of or investment in other companies engaging in O2O and CBM related businesses was mainly due to the adjustment of investment schedule depending on availability of suitable investment opportunities.

Business target as disclosed in the Prospectus and the announcement of the Company dated 3 July 2018	Latest allocation of Net Proceeds as per the announcement of the Company dated 3 July 2018 (HK\$)	Original allocation of Net Proceeds as per the implementation plans of use of proceeds set out in the Statement of Business Objective and the Use of Proceeds section in the Prospectus (HK\$)	Net Proceeds/ Amount used by the Group from its internal resources in relation to each of the business plan up till the Latest Practicable Date (HK\$)	Comparison of original allocation of Net Proceeds against actual use of Net Proceeds and/or internal resources up till the Latest Practicable Date
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These included (i) during the year ended 31 December 2015, investments in two available-for-sale financial investments in the sum of RMB2.0 million and RMB10.0 million representing 10% equity interest respectively in each of two unlisted corporations; and (ii) during the year ended 31 December 2017, (a) an investment of RMB10,000,000 in November 2017 for the purchase of 10% equity interest in a company which develops rapidly particularly in animation process and sales of accompanying toys and possesses professional animation team to develop, produce and communicate 2D/3D cartoon and accompanying toys, (b) a loan of RMB12.0 million in October 2017 provided to a third party which operates a platform for parent-child consumption with a view to convert into equity depending on the performance of the target company, and (c) a loan facility of up to HK\$6.0 million provided in December 2017 to a third party which is mainly engaged in overseas smart-hardware development. For further details of the Group's investments in this regard, please refer to "Financial Investments – Nature of Investments" above in this announcement.

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. Instead of investments in companies in related O2O businesses, on the basis of its existing core business, the Group decided to divert the net proceeds originally allocated for this purpose to acquisition of or investment in companies engaging in CBM and family related business chains and related technology research and development.

Business target as disclosed in the Prospectus and the announcement of the Company dated 3 July 2018	Latest allocation of Net Proceeds as per the announcement of the Company dated 3 July 2018 (HK\$)	Original allocation of Net Proceeds as per the implementation plans of use of proceeds set out in the Statement of Business Objective and the Use of Proceeds section in the Prospectus (HK\$)	Net Proceeds/ Amount used by the Group from its internal resources in relation to each of the business plan up till the Latest Practicable Date (HK\$)	Comparison of original allocation of Net Proceeds against actual use of Net Proceeds and/or internal resources up till the Latest Practicable Date
Enhancing marketing and promotional services	24.9 million	27.6 million	Net Proceeds: Nil Internal resources: 36.6 million	More of HK\$9.0 million. The Company has reached its target for this business strategy as per the implementation plans of use of proceeds set out in the Statement of Business Objective and the Use of Proceeds section in the Prospectus. The difference in the intended amount of proceeds and the actual amount used for the business plans in relation to enhancement of marketing and promotional services mainly represented the marketing and promotional expenses of the Group for its business operations.
Working capital and other general corporate purposes	24.9 million	27.6 million	Net Proceeds: Nil Internal resources: 99.2 million	Excess of HK\$71.6 million. The Company has reached its target for this business strategy as per the implementation plans of use of proceeds set out in the Statement of Business Objective and the Use of Proceeds section in the Prospectus. The difference in the intended amount of proceeds and the actual amount used for the business plans in relation to working capital and other general corporate purposes mainly represented the working capital of the Group used for its business operations.
Acquisition of property or Land for construction of headquarters [△]	60.0 million	–	–	As of the Latest Practicable Date, the Company was 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 relevant land acquisition agreement will be entered in by end of March 2019. Based on the current plans of the Company, it is estimated that the land acquisition cost and the construction costs will be in aggregate approximately RMB60 million which will be financed mainly by the Net Proceeds as allocated with any remaining amount by internal resources and/or external financings. It will take about five years for completion of the construction of the premises. The premises will be principally used by the Group as its headquarters, and the Company may consider rent out remaining premises for rental returns.

Business target as disclosed in the Prospectus and the announcement of the Company dated 3 July 2018	Latest allocation of Net Proceeds as per the announcement of the Company dated 3 July 2018 (HK\$)	Original allocation	Net Proceeds/	Comparison of original allocation of Net Proceeds against actual use of Net Proceeds and/or internal resources up till the Latest Practicable Date
		of Net Proceeds as per the implementation plans of use of proceeds set out in the Statement of Business Objective and the Use of Proceeds section in the Prospectus (HK\$)	Amount used by the Group from its internal resources in relation to each of the business plan up till the Latest Practicable Date (HK\$)	
Acquisition of or investment in companies engaging in CBM and family related business chains and related technology research and development	166.6 million	–	Net Proceeds: 154.4 million Internal resources: Nil	During the six months ended 30 June 2018 and up to the Latest Practicable Date, the Group has used HK\$154.4 million of the Net Proceeds for investments in companies engaging in CBM and family related business chains and related technology research and development. For further details of the Group's investments in this regard, please refer to "Financial Investments – Nature of Investments" above in this announcement. Save for those invested companies disclosed therein, the Group had not entered into definite agreements in relation to other investments in companies engaging in CBM and family related business chains and related technology research and development. Subject to identification of suitable investment targets, it is expected that the remaining Net Proceeds of HK\$12.2 million allocated for this purpose will be utilised during 2019.
Total	276.4 million [#]	276.4 million [#]	Net Proceeds: 154.4 million Internal resources: 235.6 million	More of HK\$113.6 million

[△] Reference is made to the Company's announcements dated 15 December 2017 and 27 March 2018 in relation to the proposed acquisition of certain properties by the Group for its new headquarters office in the PRC.

[#] The total net proceeds of the Placing was estimated to be HK\$293.2 million in the Company's announcements dated 7 July 2015 and 26 February 2016 which assumed the Over-allotment Option would be fully exercised to cover the over-allocation of 37,500,000 Shares in the Placing. It was subsequently announced in the Company's announcement dated 7 August 2015 that the Over-allotment Option was only partially exercised with 26,500,000 Shares allotted and issued thereunder. Therefore, the net proceeds of the Placing was revised to HK\$276.4 million in Company's 2015 annual report dated 30 March 2016, reflecting the actual partial exercise of Over-allotment Option.

INFORMATION ON THE CONTRACTUAL ARRANGEMENT

Introduction

The Group is primarily engaged in operation of online platform focusing on the CBM market (the “**Principal Business**”), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, the Group cannot acquire equity interest in the PRC Contractual Entities, which hold certain licences and permits required for the operation of its Principal Business. As a result, Nanjing Xibai, entered into the Contractual Arrangement with the PRC Contractual Entities and the Relevant Shareholders (being the registered shareholders of the PRC Contractual Entities) in order to conduct the Principal Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of the PRC Contractual Entities.

Structured Contracts

With respect to the Contractual Arrangement, the Contractual Control Entities, the PRC Contractual Entities and the Relevant Shareholders (where applicable) have entered into the Structured Contracts:

- (i) *business cooperation agreement (業務合作協議) dated 12 September 2017 among the Contractual Control Entities, the PRC Contractual Entities and the Relevant Shareholders*: pursuant to which, among others, the Contractual Control Entities agreed to provide various services such as management consultancy, technology and software research and development, technical consultation, promotion planning and market promotion necessary for the operations of the PRC Contractual Entities and the PRC Contractual Entities agreed to pay service fees to the Contractual Control Entities.

- (ii) *exclusive technology service and management consultation agreement (獨家技術服務及管理諮詢協議) dated 12 September 2017 among the Contractual Control Entities, the PRC Contractual Entities and the Relevant Shareholders*: pursuant to which, among others, the PRC Contractual Entities agreed to engage the Contractual Control Entities as their exclusive providers of technical and management consulting services and other technology and consultancy services requested by the PRC Contractual Entities to support their operations from time to time to the extent permitted under PRC laws in exchange for service fees.
- (iii) *shareholders' rights entrustment agreement (股東權利委託協議) dated 30 December 2014 among Nanjing Xibai, the PRC Contractual Entities and the Relevant Shareholders*: pursuant to which, among others, the Relevant Shareholders irrevocably authorized Nanjing Xibai to exercise their shareholders' rights in the PRC Contractual Entities, including attending shareholders' meetings and exercising voting rights and dividend distribution rights.
- (iv) *equity interest pledge agreement (股權質押協議) dated 30 December 2014 among Nanjing Xibai, the PRC Contractual Entities and the Relevant Shareholders*: pursuant to which, among others, the Relevant Shareholders agreed to pledge all their respective equity interests in the PRC Contractual Entities to Nanjing Xibai, as a security interest, to guarantee the performance of contractual obligations and the payment of outstanding debts of the Relevant Shareholders and the PRC Contractual Entities under the Structured Contracts.
- (v) *exclusive option agreement (獨家購買權協議) dated 30 December 2014 among Nanjing Xibai, the PRC Contractual Entities and the Relevant Shareholders*: pursuant to which, among others, the Relevant Shareholders irrevocably granted the exclusive right to Nanjing Xibai to require the Relevant Shareholders to transfer their equity interests in the PRC Contractual Entities to Nanjing Xibai, or such entities or individuals designated by Nanjing Xibai, and/or to acquire the assets in whole or in part from the PRC Contractual Entities, in its favour or in favour of such entities or individuals designated by Nanjing Xibai, as and when permitted by the PRC laws for a nominal consideration of RMB1.00 or the lowest value permitted by law.

Spouse Undertakings

The spouse of each of the Relevant Shareholders has signed an undertaking on 30 December 2014 (the “**Spouse Undertakings**”). Pursuant to the Spouse Undertakings, each of the spouses of the Relevant Shareholders irrevocably undertakes, among others, that the spouse has been made fully aware of the Contractual Arrangement and consented that such Relevant Shareholder is the sole beneficiary of all the rights and interests and solely assumes obligations under the Contractual Arrangement.

Dispute Resolution

All the agreements comprising the Structured Contracts provide for dispute resolution by way of arbitration in Shanghai by the arbitral body of SIETAC in accordance with its then prevailing arbitration rules. The arbitration ruling shall be final and binding on all parties.

Succession

As advised by the PRC Legal Advisers, the provisions set out in the Structured Contracts are also binding on any successors of the Relevant Shareholders as if the successor was a signing party to the Structured Contracts. Although the Structured Contracts do not specify the identity of successors to such shareholders, under the succession law of the PRC, statutory successors may include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents, and as such any breach by the successors would be deemed to be a breach of the Structured Contracts. In case of a breach, the Contractual Control Entities can exercise its rights against the successors. Pursuant to the Structured Contracts, any successor of the Relevant Shareholders shall assume any and all rights and obligations of the Relevant Shareholders under the Structured Contracts as if the successor was a signing party to such Structured Contracts.

Arrangements to Address Potential Conflicts of Interests

Each of the Relevant Shareholders has given their irrevocable undertakings and certain restrictive covenants under the Structured Contracts which address potential conflicts of interests that may arise in connection with the Contractual Arrangement.

Loss Sharing

Under the relevant PRC laws and regulations, none of the Company and the Contractual Control Entities is legally required to share the losses of, or provide financial support to, the PRC Contractual Entities. Further, the PRC Contractual Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. The Contractual Control Entities intend to continuously provide to or assist the PRC Contractual Entities in obtaining financial support when deemed necessary. In addition, given that the Group conducts a substantial portion of its business operations in the PRC through the PRC Contractual Entities, which hold the requisite PRC operational licences and approvals, and that their financial position and results of operations are consolidated into the Group's financial statements under the applicable accounting principles, the Company's business, financial position and results of operations would be adversely affected if the PRC Contractual Entities suffer losses.

Bankruptcy

The PRC Legal Advisers have advised that the concept of bankruptcy of a natural person does not exist under PRC laws, and, as such, there is currently no possibility of an event of bankruptcy of the Relevant Shareholders under PRC laws.

Furthermore, in case of occurrence of any event which may affect a Relevant Shareholder's performance of his/her obligations under the Structured Contracts, Nanjing Xibai is entitled to exercise its option to purchase the equity interest held by such Relevant Shareholder in the PRC Contractual Entities by itself or through its appointees under the exclusive option agreement of the Structured Contracts. All equity interests of the PRC Contractual Entities held by Relevant Shareholders have also been pledged to Nanjing Xibai under the equity interest pledge agreement of the Structured Contracts to secure performance of obligations by the Relevant Shareholders and the PRC Contractual Entities under the Structured Contracts and in case of any breach of such obligations, Nanjing Xibai is entitled to exercise its rights under such pledge.

Termination

Other than the equity interest pledge agreement of the Structured Contracts, which shall remain valid until all the contractual obligations of the PRC Contractual Entities and the Relevant Shareholders under the Contractual Arrangement have been fully performed, each of the Structured Contracts has a termination provision that the PRC Contractual Entities and the Relevant Shareholders (where applicable) are not entitled to unilaterally terminate the Structured Contracts. Each of the Structured Contracts shall be (a) automatically terminated upon Nanjing Xibai has acquired the entire equity interests or assets of the PRC Contractual Entities; or (b) terminated unilaterally by Nanjing Xibai or Khorgos Xizhi by giving 30-day prior notice.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangement.

Qualification Requirements

In addition to the foreign investment restrictions, according to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定), a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate a good track record and operating experience in providing value-added telecommunications services overseas (the “**Qualification Requirements**”). Since no written guidelines have been publicly issued by the MIIT to specify the criteria of the Qualification Requirements (such as what would constitute “a good track record”), the MIIT retains reasonable discretion in granting approvals for the foreign investor’s commencement of value-added telecommunication business in the PRC.

The Company has taken all reasonable steps to ensure that such Qualifications Requirements are met if and when the PRC laws and competent authorities substantially allow foreign investors to invest in value-added telecommunications enterprises in the PRC. The Company has incorporated a wholly-owned subsidiary in Hong Kong, namely Star Universal, which has constructed an overseas website for users in Hong Kong in the final quarter of 2015. The Company’s overseas website has provided links through which users may be re-directed to its PC Web for information. To further develop its overseas website, the Company will continue to localize the contents of its overseas website and may adopt similar business model as its PC Web for provision of marketing and promotional services when its overseas website becomes more mature and has further established its own user base. As of the date of this announcement, the Company has launched traditional Chinese versions of some of its key Mobile APPs, i.e., “Pregnancy Reminder (孕期提醒)” to offer services for users in Hong Kong through available and suitable overseas platforms.

The PRC Legal Advisers are of the view that the steps mentioned above are reasonable and appropriate to enhance its overseas experience for compliance with the Qualification Requirements.

Company’s confirmation

As of the date of this announcement, the Company has not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the PRC Contractual Entities under the Contractual Arrangement.

Legality of the Contractual Arrangement

The PRC Legal Advisors are of the opinion that (i) the Contractual Arrangement adopted by the Group are not in breach of any applicable PRC laws and regulations; (ii) each of the Structured Contracts, will upon execution, constitute legal, valid and binding obligation of the parties thereto and is in full compliance with and will be enforceable under applicable PRC laws, regulations and rules, except that (a) the arbitral tribunal has no power to grant injunctive relief, nor will it be able to order the winding up of the PRC Contractual Entities pursuant to the current PRC laws; (b) interim remedies or enforcement order granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China; (iii) to their knowledge the relevant terms of the Contractual Arrangement do not fall within any of the circumstances under Section 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid.

Development in the Laws and Regulations in Relation to Foreign Investments in the Value-added Telecommunications Industry

The foreign investment policies under Guiding Catalogue for Foreign Investment Industries (Amended in 2017) (外商投資產業指導目錄(2017年修訂)) (the “**2017 Guiding Catalogue for Foreign Investment Industries**”) regarding value-added telecommunication business in PRC which the Company engages in remain the same as stipulated in the Guiding Catalogue for Foreign Investment Industries (Amended in 2015) (外商投資產業指導目錄(2015年修訂)) applicable to the Company that was disclosed in the Prospectus.

The 2017 Guiding Catalogue for Foreign Investment Industries provides that a foreign investor is prohibited from owning more than 50% of the equity interest in a PRC entity that provides value-added telecommunications services (excluding e-commerce).

The requirements of applying for ICP licence by foreign-owned enterprises stipulated in the Administrative Rules for Foreign Investments in Telecommunications Enterprises (Amended in 2016) (外商投資電信企業管理規定(2016年修訂)) (the “**2016 Administrative Rules for Foreign Investments in Telecommunications Enterprises**”) promulgated by the State Council on 11 December 2001 and amended on 10 September 2008 and 6 February 2016, remain the same as stipulated in the Administrative Rules for Foreign Investments in Telecommunications Enterprises (Amended in 2008) (外商投資電信企業管理規定(2008年修訂)) applicable to the Company that was disclosed in the Prospectus.

The 2016 Administrative Rules for Foreign Investments in Telecommunications Enterprises provides that, foreign investors’ capital contribution to any entity in the PRC providing value-added telecommunications services shall not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate a good track record and operating experience in providing value-added telecommunications services overseas (the “**Qualification Requirements**”). Since still no written guidelines have been publicly issued by the MIIT to specify the criteria of the Qualification Requirements (such as what would constitute “a good track record”), the MIIT retains reasonable discretion in granting approvals for the foreign investor’s commencement of value-added telecommunication business in the PRC.

The Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (關於加強外商投資經營增值電信業務管理的通知) (the “**MIIT Notice**”) issued by former Ministry of Information Industry on 13 July 2006 (currently known as the MIIT) remains applicable to the Company which prohibits holders of ICP licence from leasing, transferring or selling their ICP licences to any foreign investors in any form, or providing any resources, sites, facilities or other assistances to foreign investors for illegal operation of telecommunications businesses in the PRC. The MIIT Notice requires that holders of ICP licence or their shareholders must directly and legally own the domain names and registered trademarks used by such licence holders in their ICP-related services. The MIIT Notice further requires that each licence holder must have necessary facilities for its approved business operations and maintain such facilities in the regions covered by its licence.

The PRC laws and regulations disclosed in this announcement in relation to foreign investments in the value-added telecommunications industry are still applicable to the current business operated by the PRC Contractual Entities.

Development in the Legislation on Foreign Investment

Draft new Foreign Investment Law

On 19 January 2015, the MOFCOM published the new draft of the Foreign Investment Law (中華人民共和國外國投資法) (the “**Draft New Law**”) for public comment. The new Foreign Investment Law (the “**New Foreign Investment Law**”), if finally adopted, will have significant impact on the foreign investment regime of the PRC. The Draft New Law introduces a new standard in defining the nature of a domestic enterprise. An onshore enterprise will no longer be deemed as a foreign-invested enterprise even if its immediate shareholders involve foreign individuals or foreign entities, as long as such onshore enterprise’s ultimate control person(s) is/are solely PRC investors, upon the competent authorities’ approval. “PRC investors” refers to the following bodies under the Draft New Law: (1) natural persons with Chinese nationality; (2) the PRC government and its affiliated departments or offices; and (3) domestic enterprises controlled by any of the aforesaid two bodies. “ultimate control person” refers to natural persons or enterprises that control, directly or indirectly foreign investors or foreign-invested enterprises. According to the Draft New Law, the term “**control**” means that any of the following conditions is met in respect of an enterprise:

1. Holding, directly or indirectly, more than 50% of shares, equity, share of property, voting power or other similar equities in the enterprise;

2. Holding, directly or indirectly, less than 50% of shares, equity, share of property, voting power or other similar equities in the enterprise, but are under any of the following circumstances:
 - (i) being entitled to, directly or indirectly, more than half of the members of the enterprise's board of director or the similar decision-making body;
 - (ii) being capable of ensuring that its nominated personnel can occupy more than 50% of seats of the enterprise' board of directors or the similar decision-making body; and
 - (iii) the voting power it holds is sufficient to have significant impact on the resolutions of the board of shareholders, general assembly of shareholders, board of directors or other decision-making body.
3. Exerting decisive impact on the enterprise's management, finance, human resources or technologies by contracts, trust or other ways.

The Draft New Law was accompanied by the MOFCOM's notes (the “**Notes**”) on, among others, the background, guidelines and principle, and main content of the Draft New Law and elaboration on several issues including the treatment of existing contractual arrangement, or “VIE structure”, which has established before the Draft New Law taking effect.

MOFCOM proposed three possible ways to deal with the existing VIE structure, if the business in which the company is involved still belongs to restricted or prohibited foreign-entry areas, namely the prohibited category and the restricted category for foreign investment to be formulated and promulgated by the State Council, and both PRC investors and foreign investors ultimately controlling the existing VIE structures shall comply with the corresponding procedures as to be finally adopted in the formally promulgated and implemented New Foreign Investment Law:

- (i) reporting: if the reporting regime is finally adopted, the existing VIE structure being permitted to continue following reporting to MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft New Law and the Notes have not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the reporting regime;
- (ii) verification: if the verification regime is finally adopted, the existing VIE structure being permitted to continue following verification, on the application of the investor, by MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft New Law and the Notes have not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the verification regime; and

- (iii) approval: if the approval regime is finally adopted, the existing VIE structure being permitted to continue following approval by MOFCOM after taking into account a number of considerations including, without limitation, the identity (whether PRC investor or foreign investor) of the ultimate control person.

It is not certain which one of the three possible regimes will be finally adopted in the New Foreign Investment Law. Based on the Draft New Law, a VIE structure which is ultimately controlled by a PRC investor is permitted to continue following reporting to, verification or approval by MOFCOM.

The Company will unwind the Contractual Arrangement as soon as the relevant PRC laws and regulations including without limitation the New Foreign Investment Law and relevant industry policies and regulations and practice of industry competent authorities allow the Principal Business to be conducted and operated by owned subsidiaries of the Company without VIE structure in place.

Potential impact on the Group

According to current contents of the Draft New Law and the Notes:

- (i) foreign investor which participates in restricted industry category under the Guidance of Foreign Investment Industries (外商投資產業指導目錄) and is ultimately controlled by PRC investors, can apply for being defined as a domestic investment by PRC investors; and
- (ii) with respect to investment arrangement through VIE structure before the Draft New Law taking effect, if the relevant investment still falls within restricted or prohibited industry category for foreign investment, as mentioned above, it will be subject to (a) reporting, (b) verification or (c) approval requirement.

The PRC Legal Advisers confirmed that they have reviewed the relevant disclosure of the Draft New Law in this announcement. Considering the abovementioned basis and based on the facts that the Group is currently participated in restricted industry category for foreign investment and Ms. Li Juan and Mr. Cheng Li, the Controlling Shareholders, are PRC investors as defined under the Draft New Law subject to the New Foreign Investment Law and relevant interpretations and regulations to be formally promulgated and implemented by MOFCOM in the future, the PRC Legal Advisers advise that, provided that the Draft New Law and the Notes take effect in its current form and content, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such forms and contents, the Contractual Arrangement will likely to be permitted to continue, and the risk that the Group will be prohibited from retaining its Contractual Arrangement or the PRC Contractual Entities will be prohibited from continuing their business operations is relatively low. On these premises, and subject to other amendments before its formal promulgation and implementation, the Draft New Law will not have any material adverse impact on the Contractual Arrangement and the control over the PRC Contractual Entities by the Group. However, the PRC Legal Advisers cannot exclude the possibility that MOFCOM may have contrary or different interpretation of the Draft New Law and the Notes, and there may be amendments to the Draft New Law and the Notes before formal promulgation and implementation of the New Foreign Investment Law which may have a material adverse impact on the Group at the time when the New Foreign Investment Law becomes effective.

In the event that the Company ceases to be controlled by PRC nationals under the definition of the Draft New Law, and if the New Foreign Investment Law takes the form and content of the Draft New Law, there will be higher uncertainty as to whether the Contractual Arrangement will be permitted to continue, and there is a higher risk that the Group will be prohibited from sustaining the Contractual Arrangement or the PRC Contractual Entities will be prohibited from continuing their business operations. Furthermore, in such circumstances, if the Company's business still belongs to the restricted or prohibited category under the New Foreign Investment Law, or there is then any restriction in place due to relevant industry policies and regulations or in the practice of other industry competent authorities, in the worst case scenario, the Company may be forced to dispose of its Principal Business to comply with the relevant regulatory requirements.

As disclosed on pages 187 and 188 of the Prospectus, Ms. Li Juan and Mr. Cheng Li have given undertakings (the “**Original Undertakings**”) to the Company, and the Company has agreed with the Stock Exchange to enforce the Original Undertakings, that during the subsistence of the Contractual Arrangement, each of them will use his/her best efforts to do and procure the Company to do all such possible acts which are necessary to give effect to the Contractual Arrangement and/or to enable the continuation of business operations of the PRC Contractual Entities as a result of any impact due to the promulgation and implementation of the New Foreign Investment Law and other future laws and regulations, including without limitation:

- (i) he/she will not dispose any of his/her interests in the Company (including without limitation procure the Company not to issue and allot any Shares) such that they together would hold (or their aggregate shareholdings be diluted to) less than 51% of the issued share capital of the Company or would otherwise cease to control the Company for the purposes of the New Foreign Investment Law; and
- (ii) he/she will maintain his/her PRC nationality so as to be qualified as a “**PRC investor**” as defined under the Draft New Law,

save that they may transfer their interests in the Company to PRC investor(s) (the “**Controlling Shareholders Transferee(s)**”) who alone or together as parties acting in concert (where applicable) will be “ultimate control persons” as defined under the Draft New Law and hold not less than 51% of the then issued share capital of the Company, and against the Controlling Shareholders Transferee(s) giving an undertaking to the Company with similar effect to the Original Undertakings. Prior to such transfer(s), Ms. Li Juan and Mr. Cheng Li shall demonstrate to the satisfaction of the Company and the Stock Exchange that PRC investor(s) will be the ultimate control persons of the Company as defined under the Draft New Law.

The Company has made an application to seek the Stock Exchange's consent to revise the Original Undertakings based on the followings:

1. Advice of the PRC Legal Advisers on the interpretation of the Draft New Law and the Notes

As advised by the PRC Legal Advisers, taking into account the evaluation of the interpretation of the Draft New Law and the Notes as evidenced by the subsequent cases being listed on the Stock Exchange, provided that the Draft New Law and the Notes take effect in its current form and content, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such forms and contents, notwithstanding Ms. Li Juan and Mr. Cheng Li holding less than 50% of the issued share capital of the Company, the Company (and therefore the Contractual Control Entities as its wholly owned subsidiaries) is likely to be considered controlled by PRC nationals based on the definition of "control" set out in the Draft New Law, as detailed the paragraph headed "Draft new Foreign Investment Law" in this sub-section at pages 57 and 58 above, and the Contractual Arrangement will likely be permitted to continue under the Draft New Law and there will not cause any material adverse impact on the Group's business operation by the implementation of the Contractual Arrangement with the introduction of the Draft Foreign Investment Law in the future on the following basis:

- (i) Based on the Contractual Arrangement, the PRC Contractual Entities are controlled by the Contractual Control Entities (which are PRC established) pursuant to the third limb of the definition of "control" under the Draft New Law (i.e. exerting decisive impact on the enterprise's management, finance, human resources or technologies by contracts, trust or other ways).
- (ii) Each of the Contractual Control Entities is a wholly owned subsidiary of the Company. The board of Directors of the Company currently comprises of three executive Directors, namely Mr. Cheng Li, Mr. Hu Qingyang and Mr. Zhang Lake Mozi, three non-executive Directors, namely Ms. Li Juan, Mr. Wu Haiming and Mr. Hsieh Kun Tse, and three independent non-executive Directors namely Mr. Wu Chak Man, Mr. Zhao Zhen and Mr. Ge Ning. Among the Directors and except for Mr. Zhang Lake Mozi, Mr. Hsieh Kun Tse, Mr. Wu Chak Man and Mr. Zhao Zhen, all of them are PRC nationals as defined under the Draft New Law. Further, Ms. Li Juan is the chairperson of the Board and Mr. Cheng Li is chief executive officer of the Company.

(iii) The Board is the governing body of Company and makes all material decisions with respect to the Company. As demonstrated in (ii) above, majority of the Board members are currently PRC nationals. Therefore, the Company (and therefore the Contractual Control Entities as its wholly owned subsidiaries) will be considered as controlled by PRC nationals pursuant to the third limb of the definition of “control” under the Draft New Law (i.e. exerting decisive impact on the enterprise’s management, finance, human resources or technologies by contracts, trust or other ways).

2. *Flexibility in financing*

Since Ms. Li Juan and Mr. Cheng Li are currently holding approximately 51% of the issued share capital of the Company, any significant issue of new shares or convertible securities of the Company will dilute their aggregate shareholding to less than 51% in breach of the Deed of Undertaking. The 51% restriction in the Original Undertakings with respect to the aggregate shareholdings of Ms. Li Juan and Mr. Cheng Li (or the Transferee(s)) has therefore resulted in technical restriction on the normal corporate finance activities which involve the issue of new equity securities or convertible securities of the Company which in turn restrict the financing channels of the Company for its business development which is not in the best interests of the Company and the Shareholders as a whole. The Company considers that the proposed revision of the undertaking will provide more flexibility in its financing, particularly in the current market situations when the costs of loan financing are fairly high, while maintain a balance to ensure the control by PRC nationals for the sake of certainty in compliance with the Draft New Law and the Notes.

3. *Revised Measures*

Subject to the consent to the Stock Exchange and the approval by the independent Shareholders, the following measures (the “**Revised Measures**”) have been/will be implemented:

(a) The Company’s corporate governance measures

- The Company’s Memorandum and Articles of Association will be revised to the effect that the majority of the Board shall consist of PRC nationals (the “**PRC Nationals Control Clause**”).

- The Company’s Memorandum and Articles of Association provides that a Director may only be elected or appointed either (i) by Shareholders of the Company voting upon the resolutions that have been proposed by a majority of the Directors; or (ii) by a majority of the Directors (the “**Director Election/Appointment Clause**”). The Company’s Memorandum and Articles of Association will be revised to the effect that the Board is in turn restricted to appoint or propose to the Shareholders to elect Directors from candidates nominated by the Nomination Committee in accordance with the terms of the reference of the Nomination Committee.
- The Company’s Memorandum and Articles of Association provides that the Board has the power, from time to time and at any time, to appoint any person as an additional Director to the Board, subject to the requirement that any Director so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election. If the Shareholders of the Company do not vote to re-elect any Director nominated or appointed by the Board, it is in any event within the power of the Board to appoint one or more additional Directors, subject to the Directors being subject to re-election at the next annual general meeting of the Company (the “**Additional Directors Appointment Clause**”).
- The Nomination Committee of the Board is responsible for recommending nominees to the Board for appointment as Directors. The terms of reference of the Nomination Committee will be revised to provide that when nominating Directors, the Nomination Committee shall be bound by the PRC Nationals Control Clause. The Company’s Memorandum and Articles of Association of the Company will be revised to provide that the Shareholders of the Company have no right to propose any amendment to the terms of reference of the Nomination Committee which has not been proposed by the Board.

The Company’s legal advisers on Cayman Islands laws, Conyers Dill & Pearman, have confirmed that the PRC National Control Clause (and its reference in the terms of reference of the Nomination Committee as mentioned above), the Director Election/Appointment Clause, the Additional Directors Appointment Clause are not in contravention of the Cayman Islands’ laws applicable to the Company which are currently in force.

(b) The Company's undertakings

Furthermore, the Company will undertake to the Stock Exchange (the "**Company's Undertakings**") that:

- (i) it will use its best endeavours to ensure that a majority of the Directors on the Board are PRC nationals, to the extent permitted by applicable laws, regulations and rules; and
- (ii) if the Company receives any proposal to amend any of the PRC Nationals Control Clause, the Director Election/Appointment Clause and/or the Additional Directors Appointment Clause, it will make full disclosure of the potential risks associated with such proposal and the scenario which may arise from such amendment, including but not limited to delisting of the Company's Shares from the Stock Exchange, in the circular to be dispatched to the Shareholders of the Company.

The Company's Undertakings will be subject to approval of the independent Shareholders in general meeting and remain effective until the earliest to occur of the following events:

- (i) compliance with the relevant requirements under the Draft New Law or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required by the Stock Exchange has consented to this;
- (ii) compliance with the Company's Undertakings is no longer required, as advised by the Stock Exchange;
- (iii) the Stock Exchange and any applicable PRC regulatory departments have consented to such termination;
- (iv) the Company unwinds and terminates the Contractual Arrangement; or
- (v) the Company is delisted from the Stock Exchange.

To the extent that only part of the Company's Undertakings is no longer required as a result of the above, only such part of the Company's Undertakings that is no longer required shall cease to be effective. To the extent that the Company's Undertakings (or any part thereof) is no longer effective, the Company will issue an announcement as soon as possible.

(c) The Controlling Shareholders' undertakings

Furthermore, Loyal Alliance, Prime Wish and Victory Glory, who are the Controlling Shareholders of the Company, will jointly undertake to the Company and the Stock Exchange (the "**Controlling Shareholders' Undertakings**"), to the extent of all their shareholdings in the Company from time to time that:

- (i) they will not, severally or jointly, propose any resolution to amend the PRC Nationals Control Clause, the Director Election/Appointment Clause and/or the Additional Directors Appointment Clause in the Company's constitutional documents at the general meeting of the Company; and
- (ii) they will vote against any proposal to amend the PRC Nationals Control Clause, the Director Election/Appointment Clause and/or the Additional Directors Appointment Clause in the Company's constitutional documents at the general meeting of the Company.

The Controlling Shareholders' Undertakings will be subject to approval of the independent Shareholders in general meeting and remain effective until the earliest to occur of the following events:

- (i) compliance with the relevant requirements under the Draft New Law or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required by the Stock Exchange has consented to this;
- (ii) compliance with the Controlling Shareholders' Undertakings is no longer required, as advised by the Stock Exchange;
- (iii) the Stock Exchange and any applicable PRC regulatory departments have consented to such termination;
- (iv) the Company unwinds and terminates the Contractual Arrangement; or
- (v) the Company is delisted from the Stock Exchange.

To the extent that only part of the Controlling Shareholders' Undertakings is no longer required as a result of the above, only such part of the Controlling Shareholders' Undertakings that is no longer required shall cease to be effective. To the extent that the Controlling Shareholders' Undertakings (or any part thereof) is no longer effective, the Company will issue an announcement as soon as possible.

4. *Shareholders' approval*

The proposed amendments to the Company's constitutional documents and replacement of the Original Undertakings with the Revised Measures as well as the Company's Undertakings will be subject to approval by the independent Shareholders in general meeting. The Company currently intends to convene the aforesaid general meeting in around mid October.

Subject to the approval by the independent Shareholders at the general meeting as aforesaid, the Company will review and disclose the compliance with the Company's Undertakings and the Controlling Shareholders' Undertakings in its annual reports.

The Company will make appropriate disclosure if the aforesaid application is approved by the Stock Exchange.

RISKS IN RELATION TO THE CONTRACTUAL ARRANGEMENT

There is no assurance that the Contractual Arrangement with the PRC Contractual Entities will be deemed by the relevant governmental and judicial authorities to be in compliance with PRC laws and regulations.

There can be no assurance that the Contractual Arrangement will continue to be deemed by the relevant governmental or judicial authorities to be in compliance with the existing PRC laws and regulations. The relevant governmental or judicial authorities may also in the future interpret or apply the existing laws or regulations or promulgate new laws or regulations which result in the Contractual Arrangement being not in compliance with the applicable PRC laws and regulations.

If the Contractual Arrangement with the PRC Contractual Entities and its equity holder are adjudicated to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- the nullification of the Contractual Arrangement;
- imposing economic penalties and/or confiscating the proceeds generated from the operation under the Contractual Arrangement;
- discontinuing or restricting operations of Nanjing Xibai and/or Nanjing Xihui and/or Nanjing Xinchuang;

- imposing conditions or requirements with which Nanjing Xibai and/or Nanjing Xihui and/or Nanjing Xinchuang may not be able to comply;
- requiring us to restructure the relevant ownership structure or operations;
- taking other regulatory or enforcement actions that could be harmful to its business; and
- revocation of business licences and/or the licences of Nanjing Xibai and/or Nanjing Xihui and/or Nanjing Xinchuang.

Any of these actions and situations may have a material adverse effect on the Group's business, financial condition and results of operations. In addition, if the imposition of any of these consequences causes us to lose the rights to direct the activities of the PRC Contractual Entities or right to receive its economic benefits, the Company would no longer be able to consolidate the financial results of the PRC Contractual Entities.

There are substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law.

In January 2015, the MOFCOM published the new draft of the Foreign Investment Law (中華人民共和國外國投資法) (the “**Draft New Law**”) for public comment, which if finally adopted, will have significant impact on the foreign investment regime of the PRC. Specifically, the Draft New Law introduces a new standard in defining the nature of a domestic enterprise. An onshore enterprise will no longer be deemed as a foreign-invested enterprise even if its immediate shareholders involve foreign individuals or foreign entities, as long as such enterprise's ultimate control person(s) is/are solely PRC investors, upon the competent authorities' approval. The Draft New Law was accompanied by the MOFCOM's notes (the “**Notes**”) on, among others, the background, guidelines and principle, and main content of the Draft New Law and elaboration on several issues including the treatment of existing contractual arrangement which has established before the effectiveness of the Draft New Law. As a number of legislative stages have to be undergone before promulgation and implementation, the new Foreign Investment Law (the “**New Foreign Investment Law**”) has not been formally promulgated and implemented so far. For further details of the Draft New Law, please refer to the section headed “Information on the Contractual Arrangement — Development in the Legislation on Foreign Investment” in this announcement.

As advised by the PRC Legal Advisers, as of the date of this announcement, the Draft New Law and the Notes are both drafts without any legal effect and have been released for the purpose of public consultation, and a number of legislative procedures have to be undergone before the promulgation and implementation of the new Foreign Investment Law. Given this, there is uncertainty as to the potential impact of the Draft New Law.

Under the Notes, MOFCOM proposed three possible ways, namely the reporting, verification or approval regimes, to deal with existing contractual arrangement, or VIE structure, that has been established before the New Foreign Investment Law taking effect and operates restricted or prohibited foreign-entry areas of business. It is not certain which one of the three possible regimes will be finally adopted in the New Foreign Investment Law. Based on the Draft New Law, if the ultimate control person of the VIE structure is a PRC investor, depending on which regime is finally adopted, then by reporting to, verification or approval by MOFCOM, such VIE structure can continue to operate.

Considering the abovementioned analysis and based on the facts that the Group is currently participating in a restricted industry category for foreign investment and Ms. Li Juan and Mr. Cheng Li, the Controlling Shareholders, are PRC investors as defined under the Draft New Law subject to the New Foreign Investment Law and relevant interpretations and regulations to be formally promulgated and implemented by MOFCOM in the future, the PRC Legal Advisers are of the view that if the Draft New Law and the Notes take effect in its current form and content, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such forms and contents, the Contractual Arrangement will likely to be permitted to continue, and the risk that the Group will be prohibited from retaining its Contractual Arrangement or the PRC Contractual Entities are prohibited from continuing their business operations is relatively low. On the premises, and subject to other amendments before its formal promulgation and implementation, the Draft New Law will have minimal impact on the Contractual Arrangement and the control over the PRC Contractual Entities by the Group and the operations of the Group as a whole. However, the PRC Legal Advisers cannot exclude the possibility that MOFCOM may have contrary or different interpretation of the Draft New Law and the Notes, and there may be amendments to the Draft New Law and the Notes before formal promulgation and implementation of the New Foreign Investment Law which may have material adverse impact on the Group at the time when the New Foreign Investment Law becomes effective. There is uncertainty as to whether the Group will be treated as domestic investment based on the New Foreign Investment Law. In the event of the Group's business is not regarded as being held by PRC investors and still belongs to the restricted or prohibited category under the New Foreign Investment Law or other future PRC laws and regulations including industry policies and regulations and practice of industry competent authorities, in the worst case scenario, the Company has to unwind the Contractual Arrangement and discontinue its business under the VIE structure, which contributes substantially to its revenue. As a result, the Company may be forced to dispose of its principal business to comply with such regulatory requirements and the Company will not be sustainable.

The Company relies on the PRC Contractual Entities to provide certain services that are critical to its business and the breach or termination of any of its service agreements with the PRC Contractual Entities or any failure of or significant quality deterioration in these services could materially adversely affect its business, financial condition and results of operations.

The Company relies on the PRC Contractual Entities to provide certain services to its customers that are critical to its business. Since the Company only controls the PRC Contractual Entities through the Contractual Arrangement, it faces certain risks with respect to its arrangements with the PRC Contractual Entities and the performance of the arrangement by the PRC Contractual Entities. If the PRC Contractual Entities were to breach any of its obligations under the Contractual Arrangement, the Company may not be able to find a suitable alternative service provider or be able to establish and operate its platform in a legal or timely manner. The breach by the PRC Contractual Entities of any of the Contractual Arrangements could materially adversely affect the Group's business, financial condition and results of operations.

The Company depends upon the Contractual Arrangement with the PRC Contractual Entities in conducting its operations and receiving payments through the PRC Contractual Entities, which may not be as effective in providing operational control as direct ownership.

The Company has no equity ownership interest in the share capital of the PRC Contractual Entities, and conduct substantially its operations, and generate substantially its revenues, through the Contractual Arrangement, which may not be as effective in providing the Company with control over the PRC Contractual Entities as if they were direct wholly-owned subsidiaries.

The Contractual Arrangement is governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. If any of the PRC Contractual Entities or any of the Relevant Shareholders fails to perform its obligations under the Contractual Arrangement, the Company may have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which the Company cannot be sure would be effective. The legal environment in the PRC is not, however, as developed as in other jurisdictions. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce these Contractual Arrangement.

In addition, any suits, arbitration or any other form of legal or dispute resolution proceedings against the Relevant Shareholders may require all assets held by such shareholder to be kept under court custody during the proceedings. If such were the case, there is no assurance that the equity interests held by such shareholders in the PRC Contractual Entities can be transferred to the Group in accordance with the Contractual Arrangement.

Certain terms of the Structured Contracts under the Contractual Arrangement may not be enforceable under PRC laws.

The Contractual Arrangement provides for dispute resolution by way of arbitration in accordance with the arbitration rules of SIETAC in Shanghai, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the PRC Contractual Entities, injunctive relief and/or winding up of the PRC Contractual Entities. In addition, the Contractual Arrangement contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal or in other appropriate cases.

However, the Company has been advised by the PRC Legal Advisers that the abovementioned provisions contained in the Structured Contracts may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the PRC Contractual Entities in case of disputes. Therefore, such remedies may not be available to the Company, notwithstanding the relevant contractual provisions contained in the Contractual Arrangement.

PRC laws allow an arbitral body to award the transfer of assets of, or an equity interest in, the PRC Contractual Entities in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against the PRC Contractual Entities as interim remedies to preserve the assets or shares in favour of any aggrieved party. The PRC Legal Advisers are also of the view that, even though the Contractual Arrangement provides that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that the PRC Contractual Entities or any of its shareholders breaches any of the Contractual Arrangement, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the PRC Contractual Entities and conduct its business as well as its financial conditions and results of operations could be materially and adversely affected.

The Contractual Arrangement may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed.

Under the Contractual Arrangement, all economic benefits and risks arising from the business of the PRC Contractual Entities are transferred to the Group. These arrangements and transactions are related party transactions which must be conducted on an arm's length basis under applicable PRC tax rules. In addition, under PRC laws and regulations, arrangements and transactions among related parties may generally be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. As a result, the determination of service fees and other payments to the Contractual Control Entities by the PRC Contractual Entities pursuant to the Contractual Arrangement may be challenged and deemed not in compliance with such tax rules. The Contractual Arrangement could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangement were not entered into on an arm's length basis and therefore adjust the taxable income of the PRC Contractual Entities in the form of a transfer pricing adjustment which refers to the prices that one member of a group of affiliated corporation's charges to another member of the group for goods, assets, services, financing or the use of intellectual property. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the PRC Contractual Entities, which could in turn increase the PRC Contractual Entities' tax liabilities. Any such adjustment could result in a higher overall tax liability of the Group. In addition, the PRC tax authorities may impose late payment fees and other penalties on the PRC Contractual Entities for any unpaid taxes. The consolidated net income of the Group may be materially and adversely affected if the PRC Contractual Entities' tax liabilities increase or if it is subject to late payment fees or other penalties. As a result, the value of the Group's investment may be materially and adversely affected.

The Company does not have any insurance coverage for the risks relating to the Contractual Arrangement.

The Company's operation is dependent on the validity, legality and enforceability of the Structured Contracts. The Company has not yet taken out any insurance to cover risks relating to the Structured Contracts. If the Structured Contracts and/or Contractual Arrangement with the PRC Contractual Entities and their equity holders are adjudicated to be in violation of any existing or future PRC laws or regulations, or in the event that the relevant PRC regulatory authorities require the Company to unwind the Contractual Arrangement under the Structured Contracts, its business will be adversely affected.

A substantial amount of costs and time may be involved in transferring the ownership of the PRC Contractual Entities to Nanjing Xibai under the Exclusive Option Agreement.

The Exclusive Option Agreement provides Nanjing Xibai a right to acquire part or all of the equity interest in the registered capital of the PRC Contractual Entities at a nominal purchase price of RMB1.00 or at the lowest price permitted by PRC law, whichever is higher, under which Nanjing Xibai or its designee is entitled to acquire all or part of the assets of the PRC Contractual Entities from the Relevant Shareholders. Nevertheless, such rights can only be exercised by Nanjing Xibai as and when permitted by the relevant PRC laws and regulations, in particular, when there are no limitation on (i) foreign ownership in PRC companies that provide value-added telecommunications, Internet content and information services and (ii) the eligibility of foreign invested enterprises to apply for the required licence for operating an Internet content platform in the PRC. In addition, a substantial amount of costs and time may be involved in transferring the ownership of the PRC Contractual Entities to Nanjing Xibai or its designee if Nanjing Xibai chooses to exercise the exclusive right to acquire all or part of the equity interest and assets in the PRC Contractual Entities under the Exclusive Option Agreement, which may have a material adverse impact on the Group's business, prospects and results of operation.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company discloses below the biographical information of each current Director and senior management:

Executive Directors

Mr. Cheng Li (程力), aged 35, is an executive Director, the chief executive officer and compliance officer of the Company. He is also a director of Nanjing Xihui, Nanjing Xinchuang, Nanjing Fuyuan, Khorgos Xizhi, and a member of the remuneration committee. Mr. Cheng is responsible for management of the day-to-day operations of the Group. Mr. Cheng joined the Group as a graduate program engineer of Nanjing Xinchuang in April 2005. Mr. Cheng has more than 10 years of working experience in the information technology industry. During his employment with the Group in the past 12 years, Mr. Cheng was initially responsible for website development and maintenance and has been gradually promoted to the management level of the Group responsible for overseeing the general operation and management of the Group. 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. Mr. Cheng obtained his Master of Business Administration degree from China Europe International Business School (中歐國際工商學院) in November 2017.

Mr. Cheng has entered into a service contract with the Company for a term of three years commencing from 8 July 2015 and is subject to retirement by rotation and re-election in accordance with the Articles of Association. Pursuant to the service contract, Mr. Cheng is entitled to a director's remuneration of HK\$10,000 per annum and a discretionary bonus, which has been determined by the remuneration committee of the Company and the Board with reference to his performance, duties and responsibilities with the Company and prevailing market condition.

Victory Glory is directly and wholly owned by Mr. Cheng, who is therefore deemed to be interested in all 120,000,000 Shares held by Victory Glory. Each of Loyal Alliance and Prime Wish is directly and wholly owned by Ms. Li Juan, who is therefore deemed to be interested in all 193,200,000 and 216,000,000 Shares held by Loyal Alliance and Prime Wish, respectively. Ms. Li Juan and Mr. Cheng entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other.

As at the Latest Practicable Date, Mr. Cheng was deemed to be interested in 529,200,000 Shares within the meaning of Part XV of the SFO.

Mr. Hu Qingyang (胡慶楊), aged 41, is an executive Director. Mr. Hu is responsible for management of the day-to-day operations of the Group. Mr. Hu has more than 14 years of working experience in relation to education services (including on-line education and education project management). From April 2004 to January 2008, Mr. Hu worked as the vice general manager of Jiangsu Wenxue Education Development Company Limited (江蘇問學教育發展有限公司) responsible for overseeing the planning and execution of education projects. Mr. Hu joined the Group in April 2008 as the vice president of Nanjing Xinchuang mainly responsible for developing the Group's CBM educational information and products. Mr. Hu completed a long-distance learning course in economic administration (大專班經濟管理專業) issued by the Correspondence Institute of the Party School of the Central Committee of C.P.C (中共中央黨校函授學院) in the PRC in June 2007. Mr. Hu was awarded the title of excellent association staff (優秀學會工作者) by Nanjing Association of Social Science (南京市社會科學界聯合會) in December 2004.

Mr. Hu has entered into a service contract with the Company for a term of three years commencing from 8 July 2015 and is subject to retirement by rotation and re-election in accordance with the Articles of Association. Pursuant to the service contract, Mr. Hu is entitled to a director's remuneration of HK\$10,000 per annum and a discretionary bonus, which has been determined by the remuneration committee of the Company and the Board with reference to his performance, duties and responsibilities with the Company and prevailing market condition.

Mr. Zhang Lake Mozi, aged 32, is an executive Director and the chief financial officer and the company secretary 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. (北京旭昇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.

Mr. Zhang has entered into a service contract with the Company for a term of three years commencing from 8 July 2015 and is subject to retirement by rotation and re-election in accordance with the Articles of Association. Pursuant to the service contract, Mr. Zhang is entitled to a director's remuneration of HK\$10,000 per annum and a discretionary bonus, which has been determined by the remuneration committee of the Company and the Board with reference to his performance, duties and responsibilities with the Company and prevailing market condition.

Non-Executive Directors

Ms. Li Juan (李娟), aged 39, is a non-executive Director, the Company's chairperson and the founder of the Group. Ms. Li is the spouse of Mr. Wu Haiming, a non-executive Director. She is also a director of Shining World, Star Universal and Nanjing Xibai, and the chairperson of the nomination committee and a member of the audit committee. Ms. Li is responsible for supervising the overall management and strategic planning of the Group. Ms. Li currently works as a project manager with China Hewlett-Packard Co., Ltd. (中國惠普有限公司), which she has joined since October 2006. Ms. Li obtained a bachelor degree of science majoring in computer science and technology from China University of Geoscience (中國地質大學) in June 2000.

Ms. Li has entered into a service contract with the Company for a term of three years commencing from 8 July 2015 and is subject to retirement by rotation and re-election in accordance with the Articles of Association. Pursuant to the service contract, Ms. Li is entitled to a director's remuneration of HK\$10,000 per annum and a discretionary bonus, which has been determined by the remuneration committee of the Company and the Board with reference to her performance, duties and responsibilities with the Company and prevailing market condition.

Each of Loyal Alliance and Prime Wish is directly and wholly owned by Ms. Li Juan, who is therefore deemed to be interested in all 193,200,000 and 216,000,000 Shares held by Loyal Alliance and Prime Wish, respectively. Victory Glory is directly and wholly owned by Mr. Cheng, who is therefore deemed to be interested in all 120,000,000 Shares held by Victory Glory. Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other.

As at the Latest Practicable Date, Ms. Li was deemed to be interested in 529,200,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Wu Haiming (吳海明), aged 50, is a non-executive Director. Mr. Wu is the spouse of Ms. Li Juan, the Company's chairperson and a non-executive Director. Mr. Wu is responsible for formulating and directing the overall operations and development strategy of the Group. Mr. Wu has been participating in the management of the Group since its first operating subsidiary, Nanjing Xinchuang, was established in April 2005. Mr. Wu had worked as an engineer and program manager of Lightwaves 2020, Inc. in Silicon Valley of the United States. Mr. Wu has more than 15 years of working experience in the information technology industry. Mr. Wu obtained a bachelor degree majoring in radio technology in July 1990, and a PhD degree in engineering majoring in physical electronics and optoelectronics in April 1997, both from Southeast University (東南大學) in the PRC respectively. From February 1997 to December 1998, Mr. Wu was a post-doctoral fellow and research student in the University of Yamanashi in Japan and from April 2000 to March 2001, Mr. Wu worked as a researcher in the Research Institute of Innovative Technology for the Earth (RITE) in Kyoto, Japan. Mr. Wu was appointed as the director of the key laboratory for the development and study of science and media technology of children in Suzhou (蘇州市兒童發展與學習科學媒體技術重點實驗室) by the Suzhou Research Institute of Southeast University (東南大學蘇州研究院) in December 2007.

Mr. Wu has entered into a service contract with the Company for a term of three years commencing from 8 July 2015 and is subject to retirement by rotation and re-election in accordance with the Articles of Association. Pursuant to the service contract, Mr. Wu is entitled to a director's remuneration of HK\$10,000 per annum and a discretionary bonus, which has been determined by the remuneration committee of the Company and the Board with reference to his performance, duties and responsibilities with the Company and prevailing market condition.

Mr. Wu is the spouse of Ms. Li Juan, and is therefore deemed to be interested in the interests of Ms. Li Juan.

As at the Latest Practicable Date, Mr. Wu was deemed to be interested in 529,200,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Hsieh Kun Tse (謝坤澤), aged 53, is a non-executive Director. Mr. Hsieh is responsible for supervising the overall management and strategic planning of the Group. Mr. Hsieh is currently the general manager of Shanghai AMVC Investment Management Centre (上海早鳥投資管理中心(有限合伙)), which he co-founded in November 2013. Mr. Hsieh worked as the vice president of Sunchime Cartoon Group Company Limited (三辰卡通集團有限公司) from January 2003 to June 2006. Mr. Hsieh worked as the general manager of content and image business department of Guangdong Alpha Animation & Culture Co., Ltd. (廣東奧飛動漫文化股份有限公司) from January 2008 to August 2013. Mr. Hsieh has been appointed as a supervisor for master students and a visiting professor of school of animation and digital arts of the Community University of China (中國傳媒大學動畫與數字藝術學院) since May 2007. Mr. Hsieh obtained a bachelor degree in information engineering from Chung Yuan Christian University (中原大學) in Taiwan in January 1990. Mr. Hsieh obtained a master degree in commerce from the Research Institute for corporate management of Chinese Culture University (中國文化大學) in Taiwan in June 1992 and another master degree of business administration from National Taiwan University (國立臺灣大學) in June 2006. He obtained a master degree of business administration from Cheung Kong Graduate School of Business (CKGSB, 長江商學院) in September 2017.

Mr. Hsieh has entered into a service contract with the Company for a term of three years commencing from 8 July 2015 and is subject to retirement by rotation and re-election in accordance with the Articles of Association. Pursuant to the service contract, Mr. Hsieh is entitled to a director's remuneration of HK\$10,000 per annum and a discretionary bonus, which has been determined by the remuneration committee of the Company and the Board with reference to his performance, duties and responsibilities with the Company and prevailing market condition.

Independent Non-Executive Directors

Mr. Wu Chak Man (胡澤民), aged 45, is an independent non-executive Director. Mr. Wu is the chairperson of the audit committee. Mr. Wu has been appointed since 30 October 2014 and is currently a director of MFund GP. Ltd., which is involved in mobile internet investment in the PRC. Mr. Wu has been appointed since 16 June 2014 and is currently an independent non-executive director of Tian Ge Interactive Holdings Limited, a Hong Kong listed company engaged in operating social video platforms in the PRC (stock code: 1980). Mr. Wu worked as the chief executive officer of 91 Wireless Websoft Limited (now known as Baidu 91 Wireless), a company engaged in the development and operating of smartphone application distribution platforms from January 2011 to February 2014 and was responsible for the overall management and strategic planning of the company. Mr. Wu joined NetDragon group in 2004 and acted as the vice president and chief financial officer of NetDragon Websoft Inc. ("**NetDragon**"), a company whose shares were initially listed on the GEM in November 2007 and were subsequently listed on the main board of the Stock Exchange (stock code: 0777) in 2008. NetDragon is principally engaged in online games and mobile Internet business, and hence he has more than 6 years of financial management experience in public company. Mr. Wu retired from the position of vice president and chief financial officer of NetDragon in 2013. From 1995 to 1999, Mr. Wu served as the vice president, in charge of marketing, in Beco Biological Research Inc. a company engaged in health food and nutrition supplements business. Mr. Wu graduated with a bachelor degree in economics from the University of California, Berkeley in the United States in August 1994, and a master degree in business administration from Duke University in the United States in May 2004.

Mr. Wu has entered into a letter of appointment with the Company for a term of three years commencing from 8 July 2015 and is subject to retirement by rotation and re-election in accordance with the Articles of Association. Pursuant to the letter of appointment, Mr. Wu is entitled to a director's remuneration of HK\$100,000 per annum and a discretionary bonus, which has been determined by the remuneration committee of the Company and the Board with reference to his performance, duties and responsibilities with the Company and prevailing market condition.

Mr. Zhao Zhen (趙臻), aged 49, is an independent non-executive Director. Mr. Zhao is a member of the remuneration committee and the nomination committee. Mr. Zhao worked as a Manager of System/Software Engineering in Hewlett-Packard from March 2004 to March 2008. Mr. Zhao obtained a bachelor degree majoring in aero-engine from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (formally known as Nanjing Aeronautics College (南京航空學院)) in July 1990. He obtained a master degree of science in January 1996 and a master degree of science in October 1997 both from Rutgers, The State University of New Jersey in the United States.

Mr. Zhao has entered into a letter of appointment with the Company for a term of three years commencing from 8 July 2015 and is subject to retirement by rotation and re-election in accordance with the Articles of Association. Pursuant to the letter of appointment, Mr. Zhao is entitled to a director's remuneration of HK\$100,000 per annum and a discretionary bonus, which has been determined by the remuneration committee of the Company and the Board with reference to his performance, duties and responsibilities with the Company and prevailing market condition.

Mr. Ge Ning (葛寧), aged 59, is an independent non-executive Director. Mr. Ge is the chairperson of the remuneration committee and a member of the audit committee and the nomination committee. Mr. Ge is a director of Wiscom System Co., Ltd. (江蘇金智科技股份有限公司), a PRC company listed on the Shenzhen Stock Exchange (stock code: 002090), which is principally engaged in the design, development, manufacturing and operation of power grid business. Mr. Ge is also the chairman of Jiangsu Jinzhi Holding Co., Ltd., (江蘇金智集團有限公司), a shareholder of Wiscom System Co., Ltd. (江蘇金智科技股份有限公司). Mr. Ge graduated from Nanjing Science College (南京工學院) (now known as Southeast University (東南大學)) and completed a two-year course in electronic technology in January 1981. Mr. Ge completed an executive MBA programme and was awarded a master degree of business administration by China Europe International Business School (中歐國際工商學院) in November 2004.

Mr. Ge has entered into a letter of appointment with the Company for a term of three years commencing from 8 July 2015 and is subject to retirement by rotation and re-election in accordance with the Articles of Association. Pursuant to the letter of appointment, Mr. Ge is entitled to a director's remuneration of HK\$100,000 per annum and a discretionary bonus, which has been determined by the remuneration committee of the Company and the Board with reference to his performance, duties and responsibilities with the Company and prevailing market condition.

As at the Latest Practicable Date, each of the Directors, save as disclosed herein, did not have any interest in Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, none of the Directors holds any position with the Company or any other member of the Group or other major appointments and professional qualifications, nor has any directorships in other listed public companies in the last three years. In addition, save as disclosed herein, none of the Directors has any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Save as disclosed above, the Board is not aware of any information relating to the Directors that ought to be disclosed pursuant to the requirements under Rule 13.51(2)(h) to (v) of the Main Board Listing Rules, nor is there any other matter that ought to be brought to the attention of the Shareholders in relation to the Directors' engagement.

Senior Management

Zheng Chen (鄭晨), aged 29, is one of the Group's technology directors and is responsible for the strategic development planning and management of the development department of the Group. Mr. Zheng joined the Group in June 2012. Mr. Zheng obtained a bachelor degree of engineering majoring in software engineering from Nanjing University (南京大學) in the PRC in June 2012.

Dai Weiyang (戴維揚), aged 28, is the Group's product director and is responsible for planning the development direction and the operation of the business department of the Group. Mr. Dai joined the Group in July 2012. Mr. Dai obtained a bachelor degree of engineering majoring in software engineering from Southeast University (東南大學) in the PRC in June 2013.

Ms. Wei Honghong (韋紅紅), aged 32, is the Group's sales director 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 June 2007.

None of the senior management had been a director of any listed public company in the last three years.

WAIVER FROM STRICT COMPLIANCE WITH THE MAIN BOARD LISTING RULES

Rule 8.12 of the Main Board Listing Rules provides that an issuer applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive Directors must be ordinary resident in Hong Kong.

Given that the business and operation of the Group are primarily located, managed and conducted in the PRC, the Group does not have any material operation in Hong Kong and that except for Mr. Zhang Lake Mozi, who is principally resident in Hong Kong, the other two executive Directors, namely Mr. Cheng Li and Mr. Hu Qingyang, are ordinarily resident in the PRC, the Company currently does not and will not, in the foreseeable future, have a management presence in Hong Kong. Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules.

The Stock Exchange has granted the requested waiver to the Company from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules on condition that the Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

- (a) the Company has appointed two authorised representatives pursuant to Rule 3.05 of the Main Board Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Cheng Li, an executive Director, the Company's chief executive officer and Mr. Zhang Lake Mozi, an executive Director and the Company's company secretary. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong upon reasonable short notice and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised to communicate on behalf of the Company with the Stock Exchange;
- (b) each of the authorised representatives has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact any of the Directors on any matters. To enhance the communication between the Stock Exchange, the authorised representatives and the Directors, the following policies will be implemented by the Company: (i) each Director will have to provide his/her mobile and office phone numbers, fax numbers and email addresses, if applicable, to the authorised representatives; (ii) in the event that a Director expects to travel, he/she will have to provide a valid phone number or means of communication to the authorised representatives; and (iii) each Director and authorised representative will provide his/her respective mobile and office phone numbers, fax numbers and email addresses, if applicable, to the Stock Exchange;
- (c) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the Articles of Association at reasonable short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;
- (d) meetings between the Stock Exchange and the Directors can be arranged through the authorised representatives or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly of any change in the authorised representatives; and
- (e) Directors who are not ordinary residents in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and meet with the Stock Exchange upon reasonable short notice.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB have been translated, for the purpose of illustration only, into Hong Kong Dollar in this announcement at the following exchange rate: RMB1: HK\$1.1864.

No representation is made that any amounts in RMB were or could have been or could be converted into Hong Kong Dollars at such rate or any other exchange rates on such date or any other date.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“APP” or “application software”	a computer programme designed to run on smart-phones, tablet computers, or similar mobile devices
“Articles of Association”	the articles of association of the Company as amended from time to time
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CBM”	children, babies and maternity (孕嬰童), refers to infants and kids aged between 0 and 12, and their parents (including expectant mothers)
“CCASS”	the Central Clearing and Settlement System established and operated by the HKSCC
“CI APP”	an APP designed for users to access CBM information using their smart-phones and mobile devices, a streamlined version of the Company’s web-based platform, the PC Web
“Company”	China Parenting Network Holdings Limited (中國育兒網絡控股有限公司), a company incorporated in the Cayman Islands, the issued shares of which are listed on GEM (Stock code: 8361)
“connected person(s)”	has the meaning ascribed thereto under the Main Board Listing Rules

“Contractual Arrangement”	the contractual arrangement entered into by Nanjing Xibai, the PRC Contractual Entities and the Relevant Shareholders, details of which are described in the section headed “Information on the Contractual Arrangement” in this announcement
“Contractual Control Entities”	Nanjing Xibai and Khorgos Xizhi
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Main Board Listing Rules and unless the context requires otherwise, refers to Loyal Alliance, Prime Wish, Victory Glory, Ms. Li Juan, Mr. Cheng Li and Mr. Wu Haiming, a non-executive Director and the spouse of Ms. Li Juan (due to his deemed interests in the interests of Ms. Li Juan)
“DAU(s)”	daily active users, the number of individuals who login to the Platform on a particular day, excluding repeated login
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended from time to time
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“ICP Licence(s)”	a value-added telecommunications business operation licence with a service scope of information services of Category 2 value-added telecommunication services by the relevant PRC government authorities
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, to the best of the Directors’ knowledge, information and belief, is not connected with (within the meaning of the GEM Listing Rules) any of the Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective close associates

“IPTV APPs”	APPs that allows access of the Mobile APPs through internet protocol television
“Khorgos Xizhi”	霍爾果斯矽智資訊技術有限公司 (Khorgos Xizhi Information Technology Company Limited*)
“Latest Practicable Date”	25 September 2018, being the latest practicable date prior to the issue of this announcement for ascertaining certain information in this announcement
“Listing”	the listing of the Shares on GEM in July 2015 by way of placing, details of which are set out in the Prospectus
“Loyal Alliance”	Loyal Alliance Management Limited (忠聯管理有限公司), a limited liability company incorporated in the BVI on 18 August 2014 and is direct wholly owned by Ms. Li Juan
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange, as amended from time to time
“MAU(s)”	monthly active users, the number of individuals who login to the Platform during the 30-day period ending with the measurement date, excluding repeated login
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MIIT Notice”	the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (關於加強外商投資經營增值電信業務管理的通知) a regulatory notice issued by former Ministry of Information Industry in July 2006
“Mobile APPs”	APPs developed by us including CI APP, Pregnancy Reminder (孕期提醒) and Mother Zone (媽媽社區) that can be accessed through smart-phones, tablet computers and similar mobile devices

“Mobile Web”	wireless application protocol platform that enables users to access the Company’s web-based platforms on mobile devices such as mobile phones
“MOFCOM”	Ministry of Commerce of the PRC (formerly known as Ministry of Foreign Trade and Economic Cooperation of the PRC) (中華人民共和國商務部)
“Mr. Cheng Li”	Mr. Cheng Li (程力), an executive Director and the Company’s chief executive officer and a Controlling Shareholder
“Ms. Li Juan”	Ms. Li Juan (李娟), the Group’s founder, the Company’s chairperson and a non-executive Director, and a Controlling Shareholder
“Nanjing Fuyuan”	南京傳遠科技有限公司(Nanjing Fuyuan Technology Company Limited*), a limited liability company established in the PRC on 30 March 2006 and is directly held as to 66.7% by Nanjing Xinchuang and therefore deemed to be an indirect subsidiary of the Company pursuant to the Contractual Arrangement
“Nanjing Xibai”	矽柏(南京)信息技術有限公司(Xibai (Nanjing) Information Technology Company Limited*), a limited liability company established in the PRC on 10 December 2014 and is an indirect wholly owned subsidiary of the Company
“Nanjing Xihui”	南京矽滙信息技術有限公司(Nanjing Xihui Information Technology Company Limited*), a limited liability company established in the PRC on 24 May 2013 and is deemed to an indirect wholly owned subsidiary of the Company pursuant to the Contractual Arrangement
“Nanjing Xinchuang”	南京芯創微機電技術有限公司(Nanjing Xinchuang Micro Machinery and Electric Technology Company Limited*), a limited liability company established in the PRC on 14 April 2005 and is deemed to an indirect wholly owned subsidiary of the Company pursuant to the Contractual Arrangement
“O2O”	online to offline
“PC Web”	the internet website of the Company at www.ci123.com

“Platform”	the PC Web, the Mobile APPs, Mobile Web and IPTV APPs
“PRC”	the People’s Republic of China, which, for the purpose of this Announcement, shall exclude the Hong Kong, the Macao Special Administrative Region and Taiwan
“PRC Contractual Entities”	Nanjing Xihui and Nanjing Xinchuang
“PRC Legal Advisers”	King & Wood Mallesons
“Prime Wish”	Prime Wish Holdings Limited (冠望控股有限公司), a limited liability company incorporated in the BVI on 18 August 2014 and is direct wholly owned by Ms. Li Juan
“Properous Commitment”	Properous Commitment Holdings Limited (富承控股有限公司), a limited liability company incorporated in the BVI on 18 August 2014 and is direct wholly owned by Mr. Hsieh Kun Tse, a non-executive Director
“Prospectus”	the prospectus of the Company dated 30 June 2015
“Relevant Shareholders”	Ms. Li Juan and Mr. Cheng Li
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted pursuant to the resolutions passed by the Shareholders on 19 June 2015
“SIETAC”	the Shanghai International Economic and Trade Arbitration Commission (上海國際經濟貿易仲裁委員會)

“Shining World”	Shining World Investments Limited (世耀投資有限公司), a limited liability company incorporated in the BVI on 18 August 2014 and a direct wholly owned subsidiary of the Company
“Star Universal”	Star Universal Holdings Limited (星際集團有限公司), a limited liability company incorporated in Hong Kong on 5 September 2014 and an indirect wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	the underlying agreements of the Contractual Arrangement, details of which are described in the section headed “Information on the Contractual Arrangement” in this announcement
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Transfer of Listing”	the proposed transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of the Main Board Listing Rules
“VIE structure”	variable interest entities structure where a foreign owned entity effectively controls a Chinese owned entity through an elaborate series of contracts
“Victory Glory”	Victory Glory Holdings Limited, a limited liability company incorporated in the BVI on 8 August 2014 and is direct wholly owned by Mr. Cheng Li
“%”	per cent

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

Nanjing, the PRC, 28 September 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 of Hong Kong Limited 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>.