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**BABYTREE GROUP**

**寶寶樹集團**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1761)**

## **INSIDE INFORMATION IN RELATION TO PROGRESS OF THE INVESTIGATION**

This announcement is made by BabyTree Group (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

### **BACKGROUND**

In April 2023, it was reported by the media that someone (the “**Alleger**”) made a so-called “real-name revelation” that, among other things, the listing of the Company in Hong Kong in 2018 (the “**Listing**”) was a “false listing” (collectively, the “**Allegations**”). Upon knowing of the Allegations, the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company resolved to establish a special committee (chaired by Mr. CHEN Guanglei, an independent non-executive Director, and comprising Mr. CHEN Bing, a non-executive Director, and Ms. Jin SU, an independent non-executive Director, as members), for the purpose of, among other things, leading the Company’s investigation into the truthfulness of the Allegations. The investigation measures included reviewing the books and records of the Group, conducting interviews with relevant persons, conducting searches of publicly available information on relevant entities and persons, conducting financial analysis and transaction verification, etc.

The purpose of this announcement is to provide a summary of the preliminary findings of the investigation on the Allegations based on the information currently available.

### **PRELIMINARY FINDINGS REGARDING THE ALLEGATIONS**

#### ***Details of the Allegations***

The Allegations claimed that, during the time when the Company planned for the Listing, due to insufficient subscription in the offering, some of the then Directors decided to reach certain “arrangement” with AMTD Global Markets Limited (“**AMTD Global**”) and some of the “Zhongke Chuangxi” entities to expand the offering size of the Listing by adopting a so-called “structured order” approach. According to the Allegations, the Company agreed with AMTD Global that AMTD Global would subscribe in the offering in an amount of US\$70,000,000; and, the Company undertook to “return” the entire proceeds of US\$70,000,000 to AMTD Global by way of entrusted wealth management on the date of the Listing. In addition, the Company had a similar arrangement with some “Zhongke Chuangxi” entities involving a “structured order” amounting to approximately US\$30,000,000.

The Allegations further claimed that, Mr. ZHANG Wei (“**Mr. Zhang**”), the founder of “Zhongke Chuangxi”, was subsequently arrested by the judicial authorities. Some of the then Directors, in order to “settle the matter” and conceal the facts of the “structured orders”, sought assistance from the Allegor in the hope that the Allegor would “provide funding and settle the matter” in the name of the Allegor. As a result, the Company stills owes the Allegor an amount of RMB130,000,000.

***Allegation in relation to the “Structured Order” of AMTD Global***

The Company’s investigation did not substantiate that any specific “arrangement” was ever reached by the then Board (other than the Allegor) and AMTD Global (now renamed as orientiert XYZ Securities Limited) to adopt a so-called “structured order” approach to expand the offering size of the Listing. Based on the records checked by the Company so far, on 27 November 2018 (the “**Listing Date**”), AMTD Global, as an underwriter of the securities, assisted investor(s) to subscribe for a total of 82,238,000 shares under the initial public offering of the Company and paid a total consideration of HK\$559,261,459.82 (the “**Relevant Investment**”). The Company entered into an investment management agreement (the “**IMA**”) dated the Listing Date with AMTD Global, pursuant to which AMTD Global, as the asset manager, would invest and manage an amount of US\$70,000,000 owned by the Company on a principal-guaranteed basis. AMTD Global has managed and controlled the Company’s fund in an amount of US\$70,000,000 pursuant to the IMA since the Listing Date.

Save for the existence of the Allegation, the Company’s investigation did not substantiate that the above Relevant Investment was not a genuine investment during the process of the Listing. Pursuant to the IMA, the principal amount of US\$70,000,000 managed by AMTD Global and its gains (if any) shall belong to the Company.

***Allegation in relation to the “Structured Order” of “Zhongke Chuangxi”***

The Company’s investigation did not substantiate that any specific “arrangement” was ever reached by the then Board (other than the Allegor) and any “Zhongke Chuangxi” entity to adopt a so-called “structured order” approach to expand the offering size of the Listing. The Company’s investigation found that certain entities which may be associated with “Zhongke Chuangxi” as founded by Mr. Zhang (the “**Suspected Zhongke Chuangxi Entity(ies)**”) might have subscribed in the Company’s offering for the Listing. The Company wired an amount of US\$31,740,000 to a Suspected Zhongke Chuangxi Entity in mid-November 2018, and the above entity wired an amount of US\$31,740,000 to the Company in December 2018. However, the Company has not found any agreement or internal approval record related to such remittance and is not able to determine the purpose of such remittance. In addition, members of the Group entered into certain fund agreement or entrusted investment agreement with certain Suspected Zhongke Chuangxi Entities, under which such Suspected Zhongke Chuangxi Entities invested RMB219,006,000 and US\$20,000,000 owned by the members of the Group on a principal-and-interest-guaranteed basis. Based on the records checked by the Company so far, as of the end of 2020, the aforesaid funds have been fully recovered after a fee payment of US\$480,000 by the Group.

None of the above Suspected Zhongke Chuangxi Entities has transacted with the Company under the name of “Zhongke Chuangxi”. Accordingly, the Company could only understand the possible association of these entities with “Zhongke Chuangxi” or relevant individuals by way of reviewing and analyzing internal materials prepared by then team members of the Allegor, conducting interviews with relevant persons and conducting searches of publicly available information on relevant entities and persons.

***Allegation in relation to a debt of RMB130,000,000***

The Company’s investigation did not find any evidence substantiating (i) any existence of any

connection between Mr. Zhang’s case and the Company, or (ii) any matter that would require the Company to take measures to “settle” or “conceal” as a result of Mr. Zhang’s arrest, as stated in the Allegations.

The Company’s investigation did not substantiate that the Board or any other then Director had ever sought any personal loan to be provided by the Allegor to the Company, nor was there any evidence of any Board discussions, resolutions, the Company’s approvals, contractual records, etc. to prove that the Company is or has ever been indebted to the Allegor in an amount of RMB130,000,000.

## **PRELIMINARY FINDINGS IN RELATION TO OTHER MATTERS**

During the course of investigating the Allegations, the Company has gradually noted other matters (the “**Other Matters**”) with preliminary indications that certain ex-employees of the Group might have been involved in irregular financial operations, misappropriation of funds and/or possession of funds. Given that the Other Matters occurred a considerable time ago, the relevant persons have left their positions, and the materials to be collated for review are voluminous and partially missing, it is estimated that certain time is required to carry out extensive investigation work. The Company will continue its investigation.

## **FURTHER DELAY IN DESPATCH OF 2022 ANNUAL REPORT AND POSTPONEMENT OF ANNUAL GENERAL MEETING AND CONTINUED SUSPENSION OF TRADING**

Reference is made to the announcements of the Company dated (i) 21 March 2023 in relation to the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2022; (ii) 1 May 2023 in relation to, among others, the delay in despatch of the Company’s annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”) and suspension of trading; (iii) 18 May 2023 in relation to, among others, the postponement of the annual general meeting of the Company (the “**AGM**”); and (iv) 30 June 2023 in relation to, among others, further delay in despatch of 2022 Annual Report and postponement of AGM (collectively, the “**Announcements**”). Capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 May 2023 and will remain suspended until the publication of the 2022 Annual Report.

In light of the foregoing, the Board is unable to reasonably estimate a time for the despatch of the 2022 Annual Report. The Board will continue to assess the relevant situation and will, as soon as it can, make further announcement(s) to provide any material progress of the above matters to shareholders and potential investors of the Company.

**Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.**

By order of the Board  
**BabyTree Group**  
**GAO Min**  
**WANG Huainan**  
*Co-Chairmen*

Hong Kong, 2 August 2023

*As at the date of this announcement, the Board comprises Mr. GAO Min as executive Director; Mr. WANG Huainan, Mr. QIAN Shunjiang, Mr. CHEN Bing, Mr. WU Ying and Mr. Christian Franz REITERMANN as non-executive Directors; and Mr. CHEN Guanglei, Mr. HUANG Zhenwu, Mr. SHIAH Hung-Yu and Ms. Jin SU as independent non-executive Directors.*