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If you have sold or transferred all your shares in China Parenting Network Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

(Stock Code: 1736)

**(1) ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE;
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Capital 9 Limited

A notice convening the EGM of China Parenting Network Holdings Limited to be held at Room 1304, 13/F, Building J, Cloud Security City, No. 19 Ningshuang Road, Nanjing, Jiangsu Province, the People's Republic of China on Thursday, 7 December 2023 at 12:30 p.m. is set out on pages 57 to 61 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting (i.e. by Tuesday, 5 December 2023, at 12:30 p.m.) or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting or any adjournment thereof if they so wish and in such event, the proxy shall be deemed to be revoked.

21 November 2023

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	36
Letter from the Independent Financial Adviser	37
Appendix — General Information	52
Notice of the Extraordinary General Meeting	57

DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“Announcements”	the announcements of the Company dated 12 September 2023, 13 September 2023 and 15 November 2023 in relation to, the issue of the Convertible Notes to the Subscribers and the Proposed Refreshment of General Mandate
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Parenting Network Holdings Limited, an exempted company incorporated in the Cayman Islands on 13 October 2014 as with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 1736)
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Completion Date”	the date when Completion takes place
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Conversion Price”	initially the conversion price of HK\$0.076 per Conversion Share, subject to adjustment
“Conversion Share(s)”	the Share(s) to be allotted and issued upon conversion of the Convertible Notes or otherwise pursuant to the terms and conditions of the Convertible Notes
“Convertible Notes”	the redeemable fixed coupon Convertible Notes in the aggregate principal amount of approximately HK\$28.29 million to be issued by the Company in accordance with the terms of the Subscription Agreement
“Creditors”	Ms. Deng and Ms. Gong
“Diligent”	Diligent Ally Private Limited, a company incorporated in Singapore with limited liability
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company convened to be held at Room 1304, 13/F, Building J, Cloud Security City, No. 19 Ningshuang Road, Nanjing, Jiangsu Province, the People’s Republic of China at 12:30 p.m. on Thursday, 7 December 2023
“Existing Convertible Notes”	the redeemable fixed coupon convertible notes issued by the Company pursuant to the amended convertible note instrument dated 29 March 2022 with an outstanding principal and interest amount of approximately HK\$23.34 million as at the date of the Subscription Agreement, which was matured on 30 April 2023
“Existing General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company held on 15 June 2023, under which up to a total of 41,893,075 Shares (being up to 20% of the total issued share capital of the Company as at the date of the passing of the relevant resolution, which was 15 June 2023 and taking into account of the share consolidation which was effective on 19 June 2023) can be allotted and issued by the Directors
“Existing Loan”	the outstanding amount to be repaid by the Company under the terms of the Existing Loan Agreements
“Existing Loan Agreements”	the loan agreements entered into between the Group and each of Ms. Deng and Ms. Gong dated 18 August 2023 with an outstanding principal and interest amount of HK\$1.11 million and HK\$2.49 million, respectively
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders on the Proposed Refreshment of General Mandate
“Independent Financial Adviser” or “Capital 9 Limited”	Capital 9 Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Refreshment of General Mandate and to make recommendations on voting

DEFINITIONS

“Independent Shareholders”	Shareholder(s) other than the controlling shareholders and their associates or, if there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and their respective associates
“Last Trading Day”	11 September 2023, being the last trading day immediately before the date of the Subscription Agreement
“Latest Practicable Date”	16 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Ms. Deng”	Ms. Deng Jingjing (鄧菁菁)
“Ms. Gong”	Ms. Gong Yanping (龔燕萍)
“Noteholder”	the holder of the Convertible Notes
“PRC”	the People’s Republic of China, which for the sole purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed Refreshment of General Mandate”	the new general mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at date of passing of the relevant resolution
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	a specific mandate to allot and issue the Conversion Shares to be sought from the Shareholders at a EGM of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Diligent, Ms. Deng and Ms. Gong
“Subscription”	the proposed subscription of the Convertible Notes by the Subscribers pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 12 September 2023 (as amended and restated by an amended and restated subscription agreement dated 15 November 2023) and entered into between the Company as issuer and the Subscribers as subscribers in relation to the issue of the Convertible Notes
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



China Parenting Network Holdings Limited

中國育兒網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1736)

Executive Directors:

Mr. Zhang Lake Mozi (*Chairperson*)
Mr. Cheng Li
Mr. Lin Luofeng
Ms. Ng Kwok Ying Isabella

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-executive Directors:

Ms. Li Juan
Mr. Zhang Haihua

*Principal place of business
in Hong Kong:*

Room 1905
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Independent Non-executive Directors:

Mr. Zhao Zhen
Mr. Ge Ning
Mr. Poon Manley

21 November 2023

To the Shareholders

Dear Sir or Madam

**(1) ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE;
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the Announcements of the Company dated 12 September 2023, 13 September 2023 and 15 November 2023 in relation to the Subscription and the Proposed Refreshment of General Mandate. The purpose of this circular is to provide you with further information relating to (i) further details of the Subscription; (ii) details of the Proposed Refreshment of General Mandate; (iii) a letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Proposed Refreshment of General Mandate; (iv) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Refreshment of General Mandate; and (v) a notice convening the EGM to be convened and held for purposes of considering and, if thought fit, approving the Subscription Agreement and

LETTER FROM THE BOARD

the transactions contemplated thereunder including the issue of the Convertible Notes and the Conversion Shares under the Specific Mandate and the Proposed Refreshment of General Mandate.

(1) ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE

SUBSCRIPTION AGREEMENT

On 12 September 2023 (after trading hours), the Company entered into a conditional Subscription Agreement with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Notes. On 15 November 2023 (after trading hours), the Company entered into an amended and restated subscription agreement with the Subscribers to amend and restate the Subscription Agreement, pursuant to which the maturity date of the Convertible Notes is amended (the “**Amended and Restated Subscription Agreement**”).

Date

12 September 2023 (after trading hours) (as amended and restated by the Amended and Restated Subscription Agreement dated 15 November 2023)

Parties

Issuer: the Company; and

Subscribers: Diligent, Ms. Deng and Ms. Gong

Diligent, an investment holding company incorporated in Singapore with limited liability, is wholly-owned by Lee Yong Soon, a merchant and professional investor. As at the Latest Practicable Date, Diligent is a Shareholder holding 16,653,287 Shares, representing approximately 5.78% of the issued share capital of the Company (or 2.52% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares). Diligent also holds the Existing Convertible Notes, which was due on 30 April 2023, with an outstanding sum of HK\$24,510,445 (including the outstanding principal, all outstanding interest as at 12 September 2023 and Extension Fee). As the Existing Convertible Notes can only be exercised and converted into Shares during the conversion period, being the first week of June 2022, September 2022 and December 2022 and the maturity date of the Existing Convertible Notes have passed, the Existing Convertible Notes could not be converted into Shares.

Both Ms. Deng and Ms. Gong are professional investors. As at the date of the Subscription Agreement, the Group owed an outstanding sum (including outstanding principal, accrued and outstanding interest as at 12 September 2023 and Extension Fee) of HK\$1,166,545 and HK\$2,611,280 to each of Ms. Deng and Ms. Gong, respectively, which fell due on 25 August 2023 under the Existing Loan Agreements.

LETTER FROM THE BOARD

Save as disclosed above, each of the Subscribers and their ultimate beneficial owner (if relevant) is a third party independent and not connected with the Company and any of its connected persons. The Subscription by each of the Subscribers is not inter-conditional.

Extension Fee

As the Existing Convertible Notes and the Existing Loans were overdue and in consideration of entering into the Subscription Agreement, the Company agreed to pay an extension fee (the “**Extension Fee**”) in the sum of HK\$1,167,164, HK\$55,550 and HK\$124,347 to Diligent, Ms. Deng and Ms. Gong, respectively, representing a 5% of the outstanding principal and interest owed to each party. The Extension Fee shall form part of the subscription amount of the Subscription Agreement.

The Extension Fee rate of 5% was determined with reference to (i) the overdue repayment of the Existing Convertible Notes and the Existing Loans; (ii) the prevailing market practice and rate; (iii) the weak financial position of the Group to finance the repayment of the Existing Convertible Notes and the Existing Loans and (iv) the absence of alternative sources of financing. It is not uncommon for financial institutions or other companies charging an one-off extension fee of the outstanding amount when the borrower requests an extension of loan. Upon negotiations between the Directors and the Subscribers, they agreed using the same interest rate of the Existing Convertible Notes, which falls within the range of market interest rate of Hong Kong between 4.75% and 5.75% in the first three quarters of 2023 as the basis of the one-off Extension Fee. Therefore, the Directors are of the view that the Extension Fee rate is fair and reasonable.

Subject matter

Subject to fulfilment of the conditions precedent to the Subscription as set out below, Diligent, Ms. Deng and Ms. Gong shall subscribe for the Convertible Notes in principal amount of HK\$24,510,445, HK\$1,166,545 and HK\$2,611,280, respectively, under the Subscription Agreement and the said amounts shall be satisfied by fully setting off against the outstanding amounts due by the Company (including the outstanding principal, all outstanding interest as at 12 September 2023 and Extension Fee) to the Subscribers. The Subscription of the Subscribers is not inter-conditional.

Conditions precedent to the Subscribers’ obligations

The obligations of each Subscriber to subscribe for the Convertible Notes from the Company are subject to the fulfilment (or waiver) of, among others, the following conditions precedent (save and except Company’s obligations (iv) and (ix) which could not be waived by the Subscribers) on or before the Completion Date:

- (i) the execution and delivery of the Subscription Agreement by the Company;
- (ii) all the representations and warranties of the Company contained in the Subscription Agreement being true, complete and accurate in all respects and not misleading in any respect;
- (iii) a copy, certified as true copy by a director or secretary of the Company or by the Company’s legal counsel, of the resolutions of the Board which are in full force and effect, approving the Subscription Agreement (to the extent it is a party) and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes to the Subscribers);

LETTER FROM THE BOARD

- (iv) the delivery of a copy, of the listing approval issued by the Stock Exchange in connection with the new Shares issuable upon the exercise of the conversion right under the Convertible Notes;
- (v) the announcement to be issued by the Company in relation to the issuance of the Convertible Notes (on the terms set out in the Subscription Agreement) shall have been made in accordance with the applicable laws, if applicable;
- (vi) there shall not have been any suspension of the trading of the Shares on the Stock Exchange for any reason or cessation of trading of the Shares on the Stock Exchange for any reason during the period between the date of the Subscription Agreement and the Completion Date (save for the purposes of clearing an announcement in respect of the issue of the Convertible Notes pursuant to the Subscription Agreement);
- (vii) from the date of the Subscription Agreement to the Completion Date, the Company or any of its subsidiaries is not in breach of or in default under any agreement to which the Company is a party or by which the Company may be bound which, has or could have a material adverse effect on the Company or any of its subsidiaries;
- (viii) there shall not have occurred (i) any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls; (ii) a general moratorium on commercial banking activities in Cayman Islands, Hong Kong or the PRC by any governmental authority; (iii) an outbreak or escalation of hostilities or act of terrorism, and which, with respect to any of (i) to (iii) above, individually or in aggregate, is or is likely to have a material adverse effect; or (iv) a suspension or limitation of trading in securities generally on the Stock Exchange;
- (ix) the Shareholders passing the necessary resolution(s) at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares; and
- (x) there being no governmental authority or other person that has:
 - (i) requested any information in connection with or instituted or, threatened any action or investigation to restrain, prohibit or otherwise challenge the subscription for the Convertible Notes by the Subscriber and/or its nominees, or the other transactions contemplated by the relevant Subscription Agreement or related transaction documents to which the Subscriber is a party;

LETTER FROM THE BOARD

- (ii) threatened to take any action as a result of or in anticipation of the subscription for the Convertible Notes by the Subscriber and/or its nominees, or the other transactions contemplated by the relevant transaction documents to which the Subscriber is a party; or
- (iii) proposed or enacted any applicable laws which would prohibit, materially restrict or materially delay the subscription for the Convertible Notes by the Subscriber and/or its nominees, or the other transactions contemplated by the relevant transaction documents to which the Subscriber is a party and/or the operation of any Group Company after the Completion.

Conditions precedent to the Company's obligations

The obligations of the Company to complete the issuance of the Convertible Notes are subject to fulfillment (or waiver) of all of the following conditions precedent on or before the Completion Date:

- (a) the delivery of the Subscription Agreement by the Subscribers;
- (b) all the representations and warranties of each Noteholder contained in the Subscription Agreement being true, complete and accurate in all respects and not misleading in any respect;
- (c) each Noteholder shall have performed and complied with all covenants, agreements, obligations and conditions contained in the Subscription Agreement that are required to be performed or complied with by it; and
- (d) each Noteholder shall have duly attended to and carried out all corporate procedures that are required under the laws of its place of incorporation or establishment to effect its execution, delivery and performance of the Subscription Agreement to which it is as a party, and the transactions contemplated hereby and thereby.

As at the Latest Practicable Date, save for conditions (i), (iii) and (a) above, none of the conditions has been fulfilled or waived.

The conditions set out in (iv) and (ix) above are incapable of being waived. In the event that the conditions of the Subscriptions are not fulfilled by 31 December 2023 or such other time and date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and neither the Company nor the Subscriber shall have any claim against the other save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the same Business Day after the conditions of the Subscription are fulfilled (or such other date as may be agreed between the respective parties).

LETTER FROM THE BOARD

Principal terms of the Convertible Notes

- Issuer:** The Company
- Principal amount:** HK\$28,288,270
- Maturity Date:** The Convertible Notes shall mature on the date of the sixth month of the date of issue thereof. The maturity date may be extended for a further six months at the discretion of the Noteholders.
- Interest:** The Convertible Notes shall bear interest at rate of 8.0% per annum and is payable on the maturity date and calculated on the basis of 365 days per year. No interest is payable upon conversion of the Convertible Notes into Conversion Shares pursuant to the conditions of the Convertible Notes. In the event that the Convertible Notes are converted into Conversion Shares, the interest accrued during the term of the Convertible Notes but before such conversion shall be payable by the Company to the respective Subscribers. The interest expenses accrued during the term of the Convertible Notes shall be financed by the internal resources of the Group.
- The interest rate was determined based on arm's length negotiations between the Company and the Subscribers with reference to the prevailing market interest rate of convertible bonds issued by other listed companies in Hong Kong and the terms of the Existing Convertible Notes. Given the current weak financial position and business performance of the Group, the details of which are set out in the section headed "Reasons for the Subscription Agreement — External financing to settle the Existing Convertible Notes and Existing Loan are unrealistic" below, the Board considered that the interest rate of 8% per annum, which represents an increase from the 5% per annum interest rate chargeable by the Existing Convertible Notes but falls within the range of an interest rate between nil to 8% per annum of the convertible notes issued by seven other listed companies in Hong Kong between 1 January 2023 and the date of the Subscription Agreement, is fair and reasonable.
- Voting Rights:** The Noteholder(s) will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the holder of the Convertible Notes.
- Ranking:** The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

LETTER FROM THE BOARD

The Conversion Shares issued upon conversion of the Convertible Notes will in all respects rank pari passu with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date.

Listing: The Convertible Notes will not be listed on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Redemption: Unless previously converted or redeemed, the Convertible Notes will be redeemed by the Company on the maturity date at its principal amount outstanding. The Noteholders may require the Company to redeem the Convertible Notes at the redemption price on occurrence of any event of default specified in the terms of the Convertible Notes.

Transferability: The Convertible Notes can be assigned or transferred in accordance with the terms of the instrument of the Convertible Notes in an amount of not less than HK\$500,000 by the Noteholders to third party. In the event that a Noteholder proposes to assign or transfer the whole or any part of the outstanding principal amount of its Convertible Note, the Company shall have an early redemption right to redeem in whole or in part of the outstanding principal amount of the Convertible Note proposed to be transferred and if such right is not fully exercised, other existing Noteholders shall have a right of first refusal to subscribe the remaining outstanding principal amount of the Convertible Note not redeemed by the Company from the Noteholder in proportion to the aggregate outstanding principal amounts of the Convertible Note as held by such Noteholders.

The Convertible Notes can only be assigned or transferred to an independent third party and the new Noteholder shall execute a deed of adherence such that it/he/she will be bounded by the Subscription Agreement.

LETTER FROM THE BOARD

Number of Conversion Shares to be issued: Provided that (i) any conversion of the Convertible Note triggering a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Noteholder which exercised the conversion rights shall comply with the applicable laws and the Takeovers Code; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any time in compliance with the Listing Rules and the right of the Company to redeem, the Noteholder shall have the right at any time from the date of issue of the Convertible Notes up to the maturity date to convert the whole or part of the outstanding principal amount of the Convertible Notes registered in its name into Shares.

Adjustment of Conversion Price: Subject as hereinafter provided, the Conversion Price shall be adjusted in accordance with the following provisions:

(i) *consolidation or subdivision:*

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A = the nominal amount of one Share after such alteration; and

B = the nominal amount of one Share before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

LETTER FROM THE BOARD

(ii) *capitalisation of profits or reserves:*

- (a) If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued (except any scrip dividend) and which would not have constituted a dividend or distribution by the Company (“**Distribution**”), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective (if appropriate, retrospectively) from the commencement of the day following the record date for such issue.

- (b) In the case of an issue of Shares by way of a scrip dividend where the average closing price as quoted on the Stock Exchange for one Share for the five consecutive trading days ending on the trading day immediately preceding the date of announcement (the “**Current Market Price**”) of such Shares of the terms of the scrip dividend exceeds the amount of the cash dividend or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

LETTER FROM THE BOARD

Where:

A = the aggregate nominal amount of the issued Shares immediately before such issue;

B = the aggregate nominal amount of the Shares issued by way of such scrip dividend multiplied by a fraction of which (a) the numerator is the amount of the whole, or the relevant part, of the cash dividend and (b) the denominator is the Current Market Price of the Shares issued by way of scrip dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the cash dividend on the date of announcement of the terms of the scrip dividend; and

C = the aggregate nominal amount of the Shares issued by way of such scrip dividend; Such adjustment shall become effective on the date of issue of such Shares.

(iii) *Distributions:*

(a) If and whenever the Company shall pay or make any capital distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under paragraph (ii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A = the Current Market Price of one Share on the last trading day preceding the date on which the Distribution is publicly announced; and

B = the fair market value of the portion of the Distribution attributable to one Share on the date of such announcement.

Such adjustment shall become effective on the date that such Distribution is actually made.

LETTER FROM THE BOARD

- (b) If and whenever the Company shall pay or make any Distribution in cash only to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A = the Current Market Price of one Share on the record date for the determination of shareholders of the Company entitled to receive such Distribution in cash; and

B = the amount of cash so distributed attributable to one Share.

Such adjustment shall become effective on the record date for the determination of shareholders of the Company entitled to receive such Distribution in cash.

- (iv) *rights issues of Shares or options over Shares:*

If and whenever the Company shall (a) issue Shares to Shareholders by way of rights, or (b) issue or grant to all or substantially all of the Shareholders by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than the current market price per Share on the last trading day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

LETTER FROM THE BOARD

Where:

A = number of Shares in issue immediately before such announcement;

B = number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and

C = the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on (x) with respect to the situation envisaged in sub-paragraph (a) above, the date of issue of such Shares or (y) with respect to the situation envisaged in sub-paragraph (b) above, on the date when the said issue or grant of such options, warrants or other rights occurs.

(v) *rights issues of other securities:*

If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares) to all or substantially all of the Shareholders as a class by way of rights or grant to all or substantially all of the Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

A = the Current Market Price of one Share on the last trading day preceding the date on which such issue or grant is publicly announced; and

B = the fair market value of the portion of the rights attributable to one Share on the date of such announcement.

LETTER FROM THE BOARD

Such adjustment shall become effective on the date of issue of the securities.

(vi) *issues at less than the Current Market Price:*

If and whenever the Company shall issue (otherwise than as mentioned in paragraph (iv) above) wholly for cash any Shares (other than Shares issued on the exercise of a conversion right) or the issue or grant (otherwise than as mentioned in paragraph (iv) above) any options, warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than the Current Market Price on the last trading day preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

A = number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;

B = number of Shares which the aggregate consideration receivable by the Company for the issue of such additional Shares or the Shares to be issued upon the exercise of rights of subscription attached to such options, warrants or other rights would purchase at such Current Market Price per Share; and

C = number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue of such options, warrants or other rights.

LETTER FROM THE BOARD

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

(vii) *other issues at less than the Current Market Price:*

Except in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph, if and whenever any of the Company or its subsidiaries (otherwise than as mentioned in condition paragraphs (iv), (v) and (vi) or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity shall issue any securities (other than the Convertible Note) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company on conversion or subscription at a consideration per Share which is less than the Current Market Price on the last trading day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A = number of Shares in issue immediately before such issue;

B = number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C = maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

LETTER FROM THE BOARD

(viii) *modification of rights of conversion:*

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as mentioned in paragraph (vii) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than the Current Market Price on the last trading day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A = the number of Shares in issue immediately before such modification;

B = the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities, in each case so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C = the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as the experts consider appropriate (if at all) for any previous adjustment under this paragraph or paragraph (vii) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

LETTER FROM THE BOARD

(ix) *other offers to Shareholders:*

If and whenever the Company or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company or person issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders are generally entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraph (iv), (v), (vi) or (vii)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

A = the Current Market Price of one Share on the last trading day preceding the date on which such issue is publicly announced; and

B = the fair market value of the portion of the rights attributable to one Share on the date of such announcement.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

LETTER FROM THE BOARD

(x) *issues at less than Conversion Price:*

If and whenever the Company or any of its Subsidiary or (pursuant to any arrangements with the Group) any other company, or person issues any Shares, or issues or grants any options, warrants, convertible notes or other rights to subscribe or purchase Shares, in each case at a price per Share, or issues other securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company on conversion, exchange or subscription at a consideration per Share, (such price per Share and consideration per Share are collectively referred to as the “**Issue Price**”) which is less than the Conversion Price then in force (if the holder of such Shares or options, warrants, convertible notes, rights or other securities (together, the “**Common Stock Equivalent**”) so issued shall at any time (the “**Subsequent Time**”), whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices, modifications, amendments or otherwise, or due to warrants, options or rights issued in connection with such issuance, be entitled to receive Shares at a price less than the Issue Price (such price per Share and consideration per Share are collectively referred to as the “**Adjusted Issue Price**”), such issuance of Shares or Common Stock Equivalent shall be deemed to have occurred at the relevant Subsequent Time at a price per Share or consideration per Share for the Adjusted Issue Price) and if the Conversion Price in force is greater than the Issue Price or the Adjusted Issue Price (as the case may be), the Conversion Price shall be adjusted to such lower Issue Price or Adjusted Issue Price (as the case may be), provided that in the event the adjusted Conversion Price resulting from the other provisions shall be less than the Issue Price or Adjusted Issue Price (as the case may be), the provisions in this paragraph shall be inapplicable. The Company shall notify the Noteholder(s) in writing no later than the trading day following the issuance of any Shares or Common Stock Equivalent or the occurrence of any Adjusted Issue Price that is subject to this paragraph, indicating therein the applicable issuance price, or if applicable reset price, exchange price, conversion price and other pricing terms.

For the purposes of calculating the Issue Price and the Adjusted Issue Price, the Common Stock Equivalents are assumed to be exercised in full at the then applicable Issue Price or Adjusted Issue Price (as the case may be).

LETTER FROM THE BOARD

Such adjustment shall become effective on the date of issue of such Shares or, as the case may be, the issue of such Common Stock Equivalent.

Events of default:

Each of the Noteholders shall be entitled to demand for immediate redemption of the Convertible Notes in whole or in part and an additional interest at the rate of 18% per annum shall accrue on the outstanding principal amount of the Convertible Note if any of the following events occurs:

- (i) the Company fails to deliver the required number of Conversion Shares as and when the Conversion Shares are required to be delivered;
- (ii) the Company fails to pay any amount which becomes due in accordance with the Convertible Note (including, but not limited to, the interest payment);
- (iii) any representation or warranty given by the Company in any of the relevant transaction documents of the Subscription is inaccurate, misleading or untrue in any respect;
- (iv) the Company fails to perform or complies with any provision under any transaction document of the Subscription;
- (v) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any part of the assets or turnover of the Group;
- (vi) an order is made, a petition is filed or an effective resolution is passed for the winding-up or dissolution or administration of the Company or any of its subsidiaries (except for a members' voluntary solvent winding-up), except for the purpose of, and followed by, a reorganisation, merger or consolidation on terms approved by the Noteholder, or the assets of the Company's subsidiaries are transferred to the Group;
- (vii) an encumbrancer takes possession of, or a liquidator or other similar officer is appointed for, the whole or any material part of the assets or turnover of the Company or any of its subsidiaries;
- (viii) any step is taken by any governmental authority which is likely to result in the seizure or similar action of all or a material part of the assets of the Company or any of its subsidiaries; or any such entity is prevented from exercising normal control over all or any substantial part of its assets and turnover;

LETTER FROM THE BOARD

- (ix) any action, condition or thing (including the obtaining or effecting of any necessary consent or approval) at any time required to be taken in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under, the Convertible Note, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Convertible Note admissible in evidence in the courts of Cayman Islands or Hong Kong is not taken, fulfilled or done;
- (x) it is unlawful for the Company to perform or comply with any one or more of its obligations under the transaction documents of the Subscription;
- (xi) the Group fails to comply with or pay any sum due from it under any final judgment or any final order made or given by any court or arbitration institute of competent jurisdiction;
- (xii) any occurrence of events which may have a material adverse effect on the Group in the opinion of the Noteholders;
- (xiii) if the trading of the Shares on the Main Board is suspended as a result of any reason, including, without limitation, material adverse market disclosure by the Company or any disciplinary actions taken by a regulatory body against the Company, and such suspension continues for five (5) consecutive trading days or more;
- (xiv) the Shares cease to be listed or admitted to trading on the Main Board;
- (xv) there is, or is agreed to be, any transfer of all or substantially all of the assets of the Group as a whole;
- (xvi) the auditors are unable to prepare the audited accounts of the Company or issue an opinion other than an unqualified opinion in respect of such audited accounts which will affect the operation of the Group as a whole for the financial years during the term of the Convertible Notes;
- (xvii) save and except with the prior written consent of the Noteholder(s), the Company or any of its subsidiaries ceases to carry on the principal business; and
- (xviii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

LETTER FROM THE BOARD

The default interest rate of 18% was determined based on arm's length negotiations and is in line with the default interest rate of the Existing Convertible Notes. The Subscribers have demanded a default interest rate of over 18% per annum given the Group's financial position and agreed to reduce to 18% per annum which was the same default interest rate of the Existing Convertible Notes after negotiation with the Directors. Therefore, the Board is of the view such interest rate is fair and reasonable.

Conversion Shares

Based on the Conversion Price of HK\$0.076 per Conversion Share, a maximum number of 372,214,078 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represent: (i) approximately 129.22% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 56.37% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes in full.

Conversion Price

The Conversion Price of HK\$0.076 per Conversion Share represents:

- (i) the closing price of HK\$0.076 per Share as quoted on the Stock Exchange on 12 September 2023, being the date of the Subscription Agreement;
- (ii) a premium of approximately 2.11% to the average closing price of HK\$0.0744 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (iii) a discount of approximately 11.63% to the closing price of HK\$0.086 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a discount of approximately 83.57% to the unaudited consolidated net asset value of the Group per Share as at 30 June 2023 of HK\$0.46 (based on the total net assets of the Group as at 30 June 2023 of RMB96,892,000 as stated in the 2023 interim report of the Company and the number of total issued shares of the Company of 209,465,379 as at 30 June 2023).

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers, taking into account of the recent trading performance of the Shares and the financial position and business performance of the Group. Having considered that (i) the Conversion Price represents the closing price per Share as quoted on the Stock Exchange on the date of the Subscription Agreement and a premium of approximately 2.11% over the average closing price per Share as quoted on the Stock Exchange for the five consecutive days immediately prior to the Last Trading Day; (ii) the daily closing price of the Shares for the one month immediately prior to the date of the Subscription Agreement as quoted on the Stock Exchange had a range between HK\$0.071 to HK\$0.145; and (iii) the Group recorded net losses for the six months ended 30 June 2023 and in 2022, the Directors consider that the Conversion Price is fair and reasonable.

LETTER FROM THE BOARD

The Directors have considered the alternative fund raising methods and the costs that will be incurred, including equity fund raising methods by way of a rights issue or an open offer. These methods are subject to underwriting uncertainty and have relatively higher time costs. They are therefore not considered realistic alternatives to satisfy the Group's imminent financial need.

The Directors have also considered obtaining financing from the debt capital markets as alternative fund raising methods. However, such fundraising method on terms favourable to the Group is impracticable for the Company in the absence of material assets as security and in light of the net current liabilities of the Group. All of the banks that the Company approached to seek for potential banking facility or loan refused to offer any loan facility as the Company could not provide any appropriate collateral.

Having considered the aforesaid, together with the alternative fund raising methods and the costs that will be incurred, the Directors are of the opinion that the terms and conditions of the Subscription Agreement and the Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that the Conversion Price is not set at a discount, there is no value dilution to the existing public Shareholder under Rule 7.27B of the Listing Rules.

Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

REASONS FOR THE SUBSCRIPTION AGREEMENT

The Company, together with its subsidiaries, is a leading vertical online platform for Children-Babies-Maternity market in China.

The Existing Convertible Notes have been overdue since 1 May 2023 and the Company is in financial difficulty. As the Existing Convertible Notes could only be exercised and converted into Shares during the conversion period, being the first week of June 2022, September 2022 and December 2022 and the maturity date of the Convertible Notes have passed, the Existing Convertible Notes could not be converted into Shares pursuant to the terms and conditions of the Existing Convertible Notes. The Company has on 21 August 2023 received a statutory demand from Diligent demanding the Company to pay an amount of over HK\$23 million, being the outstanding principal and interest of the Existing Convertible Notes. This, together with the Existing Loan, hampers the Company's ability to access the normal credit and has put the Company in the vicious cycle of limited cash flow and limited operation. To solve this problem, the Company has reached the agreement with Diligent and the Creditors to fully set off and cancel the Existing Convertible Notes and the Existing Loan Agreements and replace them with the Convertible Notes. The Company would be able to save the significant amount of accumulating interests under the currently outstanding liabilities. The Subscription will greatly improve the Company's balance sheet given the six-month Convertible Notes.

LETTER FROM THE BOARD

There is also a realistic probability the Convertible Notes to be converted into equity and hence cutting the Company debt completely. For details of the outstanding liabilities of the Group, please refer to the announcement of the Company dated 31 August 2023.

Foreseeable company operating revenues not likely to support repayment

As disclosed in the interim report of the Company for the six months ended 30 June 2023, the cash and cash equivalents of the Group for the six months ended 30 June 2023 was approximately HK\$5.3 million, which is insufficient to repay the outstanding amount of over HK\$27 million, being the outstanding amount of the Existing Convertible Notes and the Existing Loan. Such amount represents only a small fraction of the outstanding amount of the Existing Convertible Notes. There is little prospect the Company can generate nearly enough cash flow to repay the Existing Convertible Notes and the Existing Loan.

External financing to settle the Existing Convertible Notes and Existing Loan are unrealistic

In respect of bank borrowings, given the Company's profitability, cash flow, and financial position, it is not likely to be able to access the normal banking credit or the debt capital markets for financing as it will probably not pass the necessary lending criteria risk assessment. For the six months ended 30 June 2023, the unaudited loss for the period was approximately RMB 8.4 million. As at 30 June 2023, the net current liabilities of the Group was approximately RMB21.3 million and the cash and cash equivalents were approximately RMB5.4 million. It cannot demonstrate any meaningful cash flow support for a large scale financing needed for the Convertible Notes repayment. It is also impracticable for the Company to obtain financing from the debt capital markets on terms favourable to the Group in the absence of material assets as security and in light of the net current liabilities of the Group. Notwithstanding this, the Company did explore opportunities to seek for potential banking facility or bank loans and the Company has commenced to approach four banks. However, all of them refused to offer any loan facility as the Company could not provide any appropriate collateral requested by the banks.

Despite the interest of the existing public Shareholders, save for Diligent, would be significantly diluted upon full conversion of the Convertible Notes, the Group is in its imminent need to issue the Convertible Notes. The Company has received a statutory demand on 21 August 2023 from Diligent demanding the Company to repay the Existing Convertible Notes. The Company is unable to repay within the 21-day period set out in the statutory demand and a winding-up petition may be filed by Diligent. Based on the negotiations between the Company and the Subscribers, Diligent has agreed that they would not present the winding-up petition and the Creditors would not pursue their legal claim against the Company if the Company could conduct the Subscription. The Board therefore considered that the significant dilution arising from the conversion of the Convertible Notes is fair and reasonable and in the interest of the Company and the Shareholders as a whole as this prevents the Company from being wound-up.

LETTER FROM THE BOARD

Based on the above, in particular that (i) the Group’s weak financial position such as its loss-making in recent years and is in net current liabilities position; (ii) the Group is not expected to have sufficient internal resources to repay the Existing Convertible Notes and Existing Loan; (iii) the Subscription reduces the indebtedness of the Group and provides it with an extension of time to repay its indebtedness which has a high likelihood to be eliminated due to conversion into equity; and (iv) any other financing alternative in the scale of the Existing Convertible Notes is unrealistic, the Directors are of the view that the terms of the Convertible Notes are in the interests of the Company and its Shareholders as a whole and that the Subscription is the appropriate method to settle the Existing Convertible Notes held by Diligent and the Existing Loan owed to the Creditors.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the Conversion Price (assuming that, there are no other changes to the issued share capital of the Company from the Latest Practicable Date):

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the Conversion Price (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date) (Note 1)		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the Conversion Price and the full utilisation of the new general mandate under the Proposed Refreshment of General Mandate (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date) (Note 1 & 7)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Victory Glory Holdings Limited (“ Victory Glory ”) (Note 2)	24,000,000	8.33	24,000,000	3.63	24,000,000	3.34
Properous Commitment Holdings Limited (“ Properous Commitment ”) (Note 3)	10,320,000	3.58	10,320,000	1.56	10,320,000	1.44
Maria Rachel Mai Decolongon Tatoy (Note 4)	50,562,270	17.55	50,562,270	7.66	50,562,270	7.04

LETTER FROM THE BOARD

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the Conversion Price (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date) (Note 1)		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the Conversion Price and the full utilisation of the new general mandate under the Proposed Refreshment of General Mandate (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date) (Note 1 & 7)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<i>The Subscribers (Note 5)</i>						
Diligent	16,653,287	5.78	339,159,142	51.37	339,159,142	47.24
Ms. Deng	—	N/A	15,349,276	2.32	15,349,276	2.14
Ms. Gong	—	N/A	34,358,947	5.20	34,358,947	4.79
<i>Public Shareholders</i>						
Tan Chiu Lan Francine	18,551,710	6.44	18,551,710	2.81	18,551,710	2.58
Other public shareholders (Note 6)	167,964,686	58.31	167,964,686	25.44	167,964,686	23.40
Maximum number of Shares to be issued under the new general mandate	—	—	—	—	57,610,390	8.03
Total	<u>288,051,953</u>	<u>100.00</u>	<u>660,266,031</u>	<u>100.00</u>	<u>717,876,421</u>	<u>100.00</u>

Notes:

1. This is for illustrative purpose only as under the terms of the Convertible Notes, conversion which will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code shall comply with the applicable laws and conversion which will cause the public float of the Shares to be less than 25% (or any given percentage under the Listing Rules) is prohibited.
2. Victory Glory is directly and wholly owned by Mr. Cheng Li, an executive Director.
3. Properous Commitment is directly held by TMF Trust (HK) Limited, a professional trustee engaged by the Company for the operation of the share award plan.
4. Ms. Maria Rachel Mai Decolongon Tatoy holds 23,920,322 Shares and 7,291,666 Shares, respectively through her wholly-owned companies, Prime Wish Limited and Bonus Shares Pte. Ltd and has personal interest of 19,350,282 Shares. She was a substantial Shareholder of the Company as at the Latest Practicable Date and will be regarded as a public Shareholder as she will hold less than 10% of the issued share capital of the Company after the issue of the Conversion Shares upon full conversion of the Convertible Notes and full utilisation of the new general mandate.

LETTER FROM THE BOARD

5. Prior to the full conversion of the Convertible Notes, Diligent is regarded as a public Shareholder and each of Ms. Deng and Ms. Gong does not hold any interest in the Company. Upon the full conversion of the Convertible Notes (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date), Diligent will become a controlling Shareholder and each of Ms. Deng and Ms. Gong will be regarded as a public Shareholder.
6. For illustrative purpose, the number of Shares held by public Shareholders does not include that held by Ms. Maria Rachel Mai Decolongon Tatoy.
7. Assuming the only one Share that may be further issued under the Existing General Mandate as at the Latest Practicable Date will not be utilised.

PROPOSED USE OF PROCEEDS

Since the aggregate subscription price of HK\$28.29 million will be satisfied by the Existing Convertible Notes held by Diligent and the Existing Loan owed to the Creditors and the outstanding Extension Fee owed to the Subscribers, there will be no additional cash or fund injected into the Company upon Completion.

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company has conducted the following fundraising activity in the past twelve months immediately preceding the Latest Practicable Date:

Date of initial announcement	Event	Net proceeds	Intended and actual use of proceeds
29 March 2023	Subscription of new shares under general mandate	HK\$250,000	Repayment of part of the Group's outstanding professional fees and expense of the Group
4 May 2023	Subscription of new shares under general mandate	HK\$250,000	Repayment of part of the Group's outstanding professional fees and expense of the Group
12 June 2023	Subscription of new shares under general mandate	HK\$1.9 million	Repayment of part of the Group's outstanding professional fees and expense of the Group and general working capital purpose
11 July 2023	Subscription of new shares under general mandate	HK\$6.1 million	Repayment of part of the Group's outstanding professional fees and expenses and general working capital purpose

All proceeds have been utilised according to the intended use as at the date of this circular. Save as abovementioned, the Company has not conducted any other fundraising exercise in the past twelve months immediately preceding the date of this circular.

LETTER FROM THE BOARD

(2) PROPOSED REFRESHMENT OF GENERAL MANDATE

The Board also proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the EGM.

Existing General Mandate

At the annual general meeting of the Company held on 15 June 2023, the Shareholders approved, among other things, the grant of the Existing General Mandate which authorised the Directors to allot, issue and deal with not more than 41,893,075 Shares (being up to 20% of the total issued share capital of the Company as at the date of the passing of the relevant resolution, which was 15 June 2023 and taking into account of the share consolidation which was effective on 19 June 2023).

As at the Latest Practicable Date, the Company had not made any refreshment of the Existing General Mandate since the annual general meeting of the Company held on 15 June 2023.

Proposed Refreshment of General Mandate

Subject to the Independent Shareholders' approval of the Proposed Refreshment of General Mandate, and assuming that no other Shares will be issued and/or repurchased by the Company on or prior to the date of the EGM, the Shares in issue as at the date of the EGM would be 288,051,953 Shares, which means that under the Proposed Refreshment of General Mandate, the Directors would be authorised to allot, issue and deal with not more than 57,610,390 new Shares, representing 20% of the Shares in issue as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company has no outstanding derivatives, options, warrants and conversion rights and other similar rights which are convertible or exchangeable into Shares.

The Proposed Refreshment of General Mandate will, if granted, expire at the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws and regulations of the Cayman Islands to be held; or (iii) the date on which the authority set out in the resolution for the approval of the Proposed Refreshment of General Mandate is revoked or varied by the passing of an ordinary resolution of the Shareholders in general meeting.

Reasons for the Proposed Refreshment of General Mandate

On 29 July 2023, the Company issued 41,893,074 new Shares to Ms. Wu Saiya and XI-F-AI PTE. LTD. at HK\$0.1525 per Share pursuant to the terms and conditions of the subscription agreements dated 11 July 2023. The allotment and issuance of the

LETTER FROM THE BOARD

aforementioned new shares utilised approximately 100% of the total number of Shares to be allotted and issued under the Existing General Mandate and only one Share may be further issued under the Existing General Mandate.

For the 12 months from October 2023 to September 2024, the expected finance costs from the Company's outstanding borrowings are estimated to be approximately RMB2.5 million in aggregate. In addition, working capital of approximately RMB14 million would be required by the Group in the aforesaid 12 months to finance its major operating cost, including rental, staff cost and professional fees. The Group intends to finance the aforesaid finance costs and operation needs by internal resources generated or to be generated from its operating activities. Taking into account the Group's cash and cash equivalents of approximately RMB5.4 million as at 30 June 2023, the internal resources generated or expected to be generated from its operating activities, particularly cash expected to be collected from customers and assuming renewal of the bank borrowings and full conversion of the Convertible Notes, the Group would have sufficient working capital to cover the aforesaid finance cost and working capital required in the aforesaid period.

However, the Group would require funding to repay the bank borrowings and the principal amounts of the Convertible Notes, which will fall due before the next annual general meeting of the Company. As at 30 June 2023, the Group had borrowings of approximately RMB36.9 million, which included (i) guaranteed bank loans denominated in RMB of approximately RMB18.5 million bearing interest of 3.25 to 4.45% per annum which is repayable within one year; and (ii) other borrowings of approximately RMB18.4 million. While the aforesaid amount of other borrowings were part of the outstanding liabilities related to the Existing Convertible Notes and Existing Loan which, together with the relevant amount of outstanding interest and Extension Fee, is expected to be set off by the issue of the six-month Convertible Notes which bear interest at 8% per annum payable on the maturity date, approximately RMB14 million of the aforesaid bank borrowings will fall due before the next annual general meeting of the Company. The Company expects to obtain renewal of the aforesaid bank borrowings for another year based on its previous experience. All the Group's bank facilities have been utilised, and no financial resources available to the Group as at the Latest Practicable Date have been reserved for the repayment of the aforesaid bank borrowings. Hence, funding will be required by the Group (i) to repay the aforesaid bank borrowings of approximately RMB14 million if no renewal is offered by the banks, and (ii) to repay the aggregate principal amount of the six-month Convertible Notes of up to approximately HK\$28.29 million if there is no extension of the maturity date by the Noteholders and there is no or partial conversion of the Convertible Notes by the maturity date which is expected to be in June 2024. The Proposed Refreshment of General Mandate allows the Company to have sufficient flexibility to grasp appropriate fund-raising opportunities to satisfy the potential financial needs during the period.

While the Company has no intention to realise its investment in other financial assets of RMB108 million as at 30 June 2023 at the current stage in order to finance to above capital requirement, it may consider disposing some of them to ease the Group's tight cash flow problem, depending on the amount of funding required, for example, the

LETTER FROM THE BOARD

principal amount of the Convertible Notes falling due and not being converted and the funding alternatives available at the relevant time. Nevertheless, it is uncertain if and when the Company can grasp the opportunity to realise those investments at a reasonable price beneficial to and in the interest of the Group and the Shareholders as those investments are unlisted and cannot be freely traded in securities market.

The Directors have considered other financing alternatives apart from equity financing by issuance of new Shares under general mandate such as debt financing, rights issue or open offer to meet the funding needs of the Group, if appropriate, taking into consideration the financial position, capital structure and cost of funding of the Group as well as the prevailing market condition. It is considered that the debt financing may be subject to lengthy due diligence and negotiations as compared to the equity financing available to the Directors, and also the upward trend of interest rates will burden the financial conditions and cash-flow of the Group. With respect to equity financial approaches, substantial time and costs will be incurred to complete as compared to equity financing by issuance of new Shares under general mandate. Therefore, the Directors believe that as compared with the alternative financing means, the Proposed Refreshment of General Mandate allows the Company to have sufficient flexibility to grasp appropriate fund-raising opportunities during the period and to avoid uncertainties given the current market conditions.

As the Existing General Mandate has been almost fully utilised and the next annual general meeting of the Company is expected to be held in June 2024, the Proposed Refreshment of General Mandate will provide flexibility for the Company to issue new Shares before the forthcoming annual general meeting. While the Company has not formulated any concrete plan for raising capital or capitalisation of debts by issuing new Shares under the Proposed Refreshment of General Mandate, the Proposed Refreshment of General Mandate will enable the Company to capture better timing for fund raising and replenish the Company's working capital before the next annual general meeting.

Based on the above, in particular (i) the Group's deteriorating financial performance, net current liabilities and cash position of the Group as at 30 June 2023; (ii) funding needs of the Company before the next annual general meeting of the Company which is expected to be held in June 2024; (iii) debt financing, rights issue and open offer are considered to be less time and cost efficient; and (iv) the capital base of the Company will be enlarged upon utilisation of the new general mandate, the Directors consider that the dilution on the interests of Shareholders as a result of the Proposed Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules implications

As the Proposed Refreshment of General Mandate is to be proposed to the Shareholders prior to the next annual general meeting of the Company, pursuant to Rule 13.36(4) of the Listing Rules, this proposal is subject to the Independent Shareholders' approval by way of an ordinary resolution at the EGM.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

Pursuant to the Listing Rules, the Independent Board Committee (comprising all the independent non-executive Directors namely Mr. Zhao Zhen, Mr. Ge Ning and Mr. Manley Poon) has been formed to advise the Independent Shareholders on the Proposed Refreshment of General Mandate.

INDEPENDENT FINANCIAL ADVISER

Capital 9 Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Refreshment of General Mandate and to make recommendation on voting.

EGM

Set out on pages 57 to 61 of this circular is a notice convening the EGM to be held at Room 1304, 13/F, Building J, Cloud Security City, No. 19 Ningshuang Road, Nanjing, Jiangsu Province, the People's Republic of China on Thursday, 7 December 2023 at 12:30 p.m. at which relevant resolution(s) will be proposed to the Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares) and the Proposed Refreshment of General Mandate.

Any Shareholder who has a material interest in the transaction must abstain from voting on the resolution. As at the Latest Practicable Date, Diligent is interested in 16,653,287 Shares, representing approximately 5.78% of the issued share capital of the Company. Accordingly, Diligent and his associates shall abstain from voting on the proposed resolutions approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

Further, according to Rule 13.36(4) of the Listing Rules, any controlling shareholders and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve any refreshments of the general mandate. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Company has no controlling Shareholders. As a result, Mr. Zhang Lake Mozi, Mr. Cheng Li, Mr. Lin Luofeng and Ms. Ng Kwok Ying Isabella, being executive Directors, and Ms. Li Juan and Mr. Zhang Haihua, both being non-executive Directors, together with their respective associates, are required to abstain from voting in favour of the ordinary resolution regarding the Proposed Refreshment of General Mandate at the EGM. As at the Latest Practicable Date, Mr. Cheng Li is interested in 24,000,000 Shares, representing 8.33% of the issued share capital of the Company. Accordingly, Mr. Cheng Li shall abstain from voting on the proposed resolutions approving the Proposed Refreshment of General Mandate pursuant to Rule 13.36(4) of the Listing Rules.

LETTER FROM THE BOARD

Save for the above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the other Shareholders is required to abstain from voting on the resolutions in respect of (i) the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate); and (ii) the Proposed Refreshment of General Mandate at the EGM.

An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

FORM OF PROXY

A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the EGM (i.e. by Tuesday, 5 December 2023, at 12:30 p.m.) or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66 of the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, each of the resolutions set out in the notice of EGM will be taken by way of poll.

On a poll, every Shareholder present in person or by proxy or in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

RECOMMENDATIONS

Taking into account the reasons as set out in the paragraph headed "Reasons for the Subscription Agreement" above, the Directors are of the view that the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the Proposed Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so

LETTER FROM THE BOARD

far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Proposed Refreshment of General Mandate at the EGM. The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) consider that the Proposed Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned, and recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the letter from the Independent Financial Adviser contained in this circular.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility of Shareholders to attend and vote at the EGM, which is to be held on 7 December 2023, the register of members of the Company will be closed from 4 December 2023 to 7 December 2023, both days inclusive, during which no transfer of shares will be registered. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 December 2023.

WARNING

Shareholders and potential investors should be aware that the Subscription Agreement and the transactions contemplated thereunder are subject to the fulfilment of the conditions. Accordingly, completion of the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
China Parenting Network Holdings Limited
Zhang Lake Mozi
Chairperson

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the Proposed Refreshment of General Mandate.



China Parenting Network Holdings Limited

中國育兒網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1736)

21 November 2023

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

We refer to the circular (the “**Circular**”) dated 21 November 2023 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Proposed Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole and whether the terms of the Proposed Refreshment of General Mandate are fair and reasonable so far as the Independent Shareholders are concerned, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 37 to 51 of this circular.

Having considered the Proposed Refreshment of General Mandate and the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as set out in its letter of advice, we consider that the Proposed Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the Proposed Refreshment of General Mandate at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Zhao Zhen

Mr. Ge Ning

Mr. Poon Manley

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Refreshment of General Mandate for the purpose of incorporation into this circular.



Capital 9 Limited

Unit 1219, 12/F,
Bank of America Tower,
12 Harcourt Road,
Central,
Hong Kong

21 November 2023

*To the Independent Board Committee and the Independent Shareholders of
China Parenting Network Holdings Limited*

Dear Sir/Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Refreshment of General Mandate, particulars of which are set out in the section headed “Letter from the Board” (“**Letter from the Board**”) contained in the circular of the Company dated 21 November 2023 (“**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Existing General Mandate was granted to the Directors at the annual general meeting of the Company held on 15 June 2023 to issue up to 41,893,075 Shares, representing 20% of then total issued share capital of the Company, taking into account of the share consolidation which was effective on 19 June 2023.

As stated in the Letter from the Board, on 29 July 2023, 41,893,074 new Shares were issued by the Company to two subscribers pursuant to subscription agreements entered into by the Company with relevant subscribers on 11 July 2023 (the “**July 2023 Subscription**”), which has utilised approximately 100% of the Existing General Mandate. Upon completion of the aforesaid subscription, only one Share can be further issued under the Existing General Mandate. As stated in the Letter from the Board, net proceeds of approximately HK\$6.1 million from such subscription have been fully utilised for repayment of part of the Group’s outstanding professional fees and expense of the Group and general working capital purpose. No refreshment of general mandate has been made by the Company as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject to the Independent Shareholders' approval of the Proposed Refreshment of General Mandate, and assuming that no other Shares will be issued and/or repurchased by the Company on or prior to the date of the EGM, the Shares in issue as at the date of the EGM would be 288,051,953 Shares, which means that under the Proposed Refreshment of General Mandate, the Directors would be authorised to allot, issue and deal with not more than 57,610,390 new Shares, representing 20% of the Shares in issue as at the Latest Practicable Date.

As the Proposed Refreshment of General Mandate is to be proposed to the Shareholders prior to the next annual general meeting of the Company which is expected to be held in June 2024 (the "2024 AGM"), pursuant to Rule 13.36(4) of the Listing Rules, this proposal is subject to the Independent Shareholders' approval by way of an ordinary resolution at the EGM. The Proposed Refreshment of General Mandate will, if granted, expire at the earliest of: (i) the conclusion of the 2024 AGM; (ii) the expiration of the period within which the 2024 AGM is required by the articles of association of the Company or any applicable laws and regulations of the Cayman Islands to be held; or (iii) the date on which the authority set out in the resolution for the approval of the Proposed Refreshment of General Mandate is revoked or varied by the passing of an ordinary resolution of the Shareholders in general meeting.

Further, according to Rule 13.36(4) of the Listing Rules, any controlling shareholders and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve any refreshments of the general mandate. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Company has no controlling shareholder. Mr. Cheng Li, being executive Director, was interested in 24,000,000 Shares through his associates, representing 8.33% of the issued share capital of the Company. All the Directors (excluding independent non-executive Directors) and their respective associates are required to abstain from voting in favour of the proposed resolutions regarding the Proposed Refreshment of General Mandate.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to (i) whether the terms of the Proposed Refreshment of General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) how to vote on the resolution at the EGM. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give independent opinion to the Independent Board Committee for it to advise the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information, facts and representations provided, and the opinions and views expressed to us by the Company, the Directors and/or the management of the Group, and (ii) the information, facts, representations, opinions and views of the Company, the Directors and/or the management of the Group contained or referred to in the Circular, including but not limited to the Letter from the Board contained therein, all of which have been assumed to be true, accurate and complete at the time they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, view and intention made by the Company, the Directors and/or the management of the Group in the Circular, including but not limited to the Letter from the Board contained therein, were reasonably made after due and careful enquiry and the expectations and intentions made by the Company, the Directors and/or the management of the Group will be met or carried out as the case may be. We consider that we have received and reviewed sufficient information to reach an informed view and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and/or the management of the Group. We have been confirmed by the Company that no material facts have been withheld or omitted from the information provided to us, the opinion expressed to us, and/or information or opinion contained or referred to in the Circular.

We have not, however, carried out any independent verification of the information provided by the Company, the Directors and/or the management of the Group, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group, or any of its respective subsidiaries, controlled entities, jointly controlled entities or associates. We consider that we have performed our duties with impartiality and independence from the Company.

The Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular 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 in the Circular misleading.

As at the Latest Practicable Date, to the best of our knowledge, we were not aware of any relationships between us and, nor any interests held by us in, the Company, the Directors and/or existing Shareholders that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. In the past two years preceding the Latest Practicable Date, there was no engagement between the Company and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Proposed Refreshment of General Mandate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL REASONS AND FACTORS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Refreshment of General Mandate, we have taken into consideration the following principal reasons and factors:

1. Background of the Group

The Group is a vertical online platform for children-babies-maternity market in China, which is principally engaged in the provision of marketing and promotional services and sale of goods related to children, babies and maternity in China.

Set out below are the summarised financial information of the Group for the two years ended 31 December 2021 (“**FY2021**”) and 2022 (“**FY2022**”), as extracted from the annual report of the Company for the year ended 31 December 2022 (“**2022 AR**”), and for the six months ended 30 June 2022 (“**1H2022**”) and 2023 (“**1H2023**”), as extracted from the interim report of the Company for the six months ended 30 June 2023 (“**2023 IR**”):

(i) *Historical financial performance*

	For the year ended 31 December		For the six months ended 30 June	
	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	93,744	84,970	33,560	23,813
(i) Marketing and promotional services	47,998	38,378	13,957	11,548
(ii) Sale of goods	45,746	46,592	19,603	12,265
Cost of sales	(88,549)	(66,578)	(25,578)	(19,003)
Gross profit	5,195	18,392	7,982	4,810
<i>Gross profit margin</i>	5.5%	21.6%	23.8%	20.2%
Other income, gains and losses	7,323	3,716	1,639	1,375
Selling and distribution expenses	(27,279)	(15,718)	(5,149)	(5,387)
Administrative expenses	(12,535)	(9,169)	(4,108)	(4,483)
Research and development costs	(15,302)	(7,685)	(4,109)	(2,811)
(Impairment loss) reversal of impairment loss on financial and contract assets, net	763	(3,620)	123	(551)
Fair value changes of financial assets at fair value through profit or loss	(9,417)	(24,684)	(1,341)	600

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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	For the year ended		For the six months ended	
	31 December		30 June	
	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Gain on modification of convertible notes	—	801	801	—
Other expenses	(1,253)	—	(1)	—
Loss on restructuring of other receivable	(236)	—	—	—
Finance costs	(3,066)	(4,014)	(2,036)	(1,912)
Loss before tax	(55,807)	(41,981)	(6,199)	(8,359)
Income tax (expense) credit	670	(24)	(24)	—
Loss for the year/period,	(55,137)	(42,005)	(6,223)	(8,359)
attributable to				
— Owners of the Company	(51,455)	(42,241)	(5,858)	(8,359)
— Non-controlling interests	(3,682)	236	(365)	—

For FY2022, the Group's revenue decreased by approximately RMB8.7 million to approximately RMB85.0 million from approximately RMB93.7 million for FY2021, primarily due to the decline in advertising business in the first half of 2022, as affected by the COVID-19 pandemic. The Group's gross profit and gross profit margin for FY2022 was approximately RMB18.4 million and 21.6%, an increase compared to that of approximately RMB5.2 million and 5.5% for FY2021, due to effective cost control implemented by the Group in 2022. Loss for the year of approximately RMB42.0 million was recorded for FY2022, compared to that of approximately RMB55.1 million for FY2021, mainly due to improvement in gross profit margin and reduction in selling expenses.

For 1H2023, the Group's revenue decreased by approximately RMB9.8 million to approximately RMB23.8 million from approximately RMB33.6 million for 1H2022, primarily due to the decline of advertising and promotional business as affected by the economic environment. The Group's gross profit and gross profit margin for 1H2023 was approximately RMB4.8 million and 20.2%, a decrease compared to that of approximately RMB8.0 million and 23.8% for 1H2022, due to the decline in advertising business which commanded a higher gross profit margin. Loss for the period of approximately RMB8.4 million was recorded for 1H2023, compared to that of approximately RMB6.2 million for 1H2022, mainly due to decrease in gross profit as mentioned above.

(ii) Outlook

As stated in the 2023 IR, the Group has been committed to providing more scientific, professional and efficient parenting solutions for novice parents in China. It has a deep insight into the parenting needs of Generation Z parents, keeps up with the times, actively responds to national policies, uses science & technology to reduce parenting costs, and improves the easy parenting experience. It will also continuously improve its ecological layout. Through the “digital + AI” technology, it will provide more refined services for maternal and infant users and brand merchants through its innovating and advancing software tools such as mobile apps, making parenting easier and their brand business continuously growing. We were confirmed by the Directors that they still maintain their view above as at the Latest Practicable Date.

The refined services aim at satisfying the four major needs of users, including learning, communication, medical care and consumption. On the customer-side, the Company cooperated with professional institutions and parenting experts to jointly build more content and provide services such as parenting Q&A and expert consultation on parenting education and other aspects of infants and young children through its “Mom Community (媽媽社區)” APP, mini programs, communities and multi-channel network platform in order to meet the diversified content needs of the new generation of users. On the business-side, the Company has collaborated with channels such as maternal and infant retail, education system and offline parent-child activities to build refined service capabilities. For example, the Company has more than 20,000 maternal and infant stores using its “Mommy store (媽咪店)” SaaS system, with more than 318 urban coverage and more than 5.62 million offline members. The Company’s platform serves needs of family users in areas covering health, family trips, education, entertainment and shopping. Merchants can provide consumers with refined services via tools provided by the Company such as one-click distribution, one-click grouping and instant shopping to achieve more business increments. For example, the one click distribution tool can help group-purchased products achieve distribution.

As advised by the Company, it is optimistic about the prospect of children, babies and maternity industry in China. According to the research report released in 2022 by iResearch Inc (<https://report.iresearch.cn/>), a provider of online audience measurement and consumer insights in China established in 2002 with over 400 employees worldwide, the market size of the maternity and childcare product industry in China recorded a 10.8% year-on-year growth and reached approximately RMB3.46 trillion in 2021, and is estimated to expand further in the coming years reaching RMB4.68 trillion by 2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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(iii) Financial position, cash resources and funding needs

Financial position

	As at 31 December 2022	As at 30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(unaudited)
Non-current assets	115,489	118,324
Property, plant and equipment	15,060	17,010
Right-of-use assets	7,178	6,287
Long-term receivables	2,462	1,976
Deposit for property, plant and equipment	2,712	—
Other financial assets	88,077	93,051
Current assets	51,437	44,949
Inventories	1,187	3,149
Trade and bill receivables	9,971	5,134
Contract assets	6,139	3,407
Prepayments, deposits and other receivables	10,600	12,676
Other financial assets	14,985	15,206
Cash and cash equivalents	8,555	5,377
Current liabilities	64,980	66,200
Trade payables	3,208	1,955
Contract liabilities	325	249
Other payables and accruals	22,233	20,115
Lease liabilities	1,117	1,073
Borrowings	18,413	36,940
Convertible notes	13,816	—
Tax payable	5,868	5,868
Net current liabilities	13,543	21,251
Non-current liabilities	693	181
Lease liabilities	693	181
Net assets	101,253	96,892
Current ratio	0.79	0.68
Gearing ratio	39.3%	40.7%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2022 and 30 June 2023, the Group recorded net current liabilities of approximately RMB13.5 million and RMB21.3 million respectively. Its current ratio was approximately 0.68 as at 30 June 2023, a decrease compared to that of 0.79 as at 31 December 2022.

We noted from the 2022 AR that the Company's auditors expressed concern that the net loss attributable to owners of the Company of approximately RMB42.2 million for FY2022 and the amount of the Group's current liabilities which exceeded its current assets by approximately RMB13.5 million as at 31 December 2022 indicated the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Cash resources

As advised by the Company, the liquidity of the Group was tight as at the Latest Practicable Date. As stated in the 2022 AR and further advised by the Company, the Group funded its operations with revenue from its operating activities. While key drivers in the Group's sources of cash have been primarily the Group's sales and their cash inflows which depends on the Group's ability to collect payments, it is noted that net cash used in operating activities of approximately RMB8.5 million for 1H2023 was recorded by the Group, compared to net cash generated from operating activities of approximately RMB6.3 million for FY2022. Hence, from March 2023 to July 2023, several fund raising activities were conducted by the Company by issue of new shares under general mandate to raise net proceeds of approximately HK\$8.5 million to finance the Group's repayment of outstanding professional fees and general working capital. As at 30 June 2023, the Group's cash and cash equivalents were approximately RMB5.4 million, a decrease compared to approximately RMB8.6 million as at 31 December 2022.

As announced by the Company on 31 August 2023 and stated in the Letter from the Board, the Group has defaulted in settlement of outstanding liabilities of (i) HK\$24,510,445 (including the outstanding principal, all outstanding interest as at 12 September 2023 and the respective Extension Fee) of the Existing Convertible Notes which was due on 30 April 2023, and (ii) HK\$1,166,545 and HK\$2,611,280 (including outstanding principal, accrued and outstanding interest as at 12 September 2023 and the respective Extension Fee) of the Existing Loan owed to Ms. Deng and Ms. Gong respectively which was due on 25 August 2023 under the Existing Loan Agreements. Taking into account the Group's tight cash position, and it would be difficult for the Group to generate sufficient cash flow to repay the aforesaid debt in the near future, the Group has reached the agreement with the relevant creditors to set off those debt, together with the Extension Fee, by issuing them the Convertible Notes.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Funding needs

As discussed in the paragraphs headed “Reasons for the Proposed Refreshment of General Mandate” below, the aim of the Proposed Refreshment of General Mandate is to provide the Group flexibility to raise fund by issuing new Shares under a refreshed general mandate before the 2024 AGM, that is, before a new general mandate is approved by the Shareholders in the coming annual general meeting. In this regard, we have discussed and understood from the Company about the Group’s funding needs before the 2024 AGM, that is, the 9 months from October 2023 to June 2024 particularly.

As at 30 June 2023, the Group had borrowings of approximately RMB36.9 million, which included (i) guaranteed bank loans denominated in RMB of approximately RMB18.5 million bearing interest of 3.25 to 4.45% per annum which is repayable within one year; and (ii) other borrowings of approximately RMB18.4 million. As advised by the Company, while the aforesaid amount of other borrowings were part of the outstanding liabilities related to the Existing Convertible Notes and Existing Loan which, together with the relevant amount of outstanding interest and Extension Fee, is expected to be set off by the issue of the six-month Convertible Notes (the maturity date may be extended for a further six months at the discretion of the Noteholders) which bear interest at 8% per annum payable on the maturity date, approximately RMB14 million of the aforesaid bank borrowings will fall due before the 2024 AGM. The Company expects to obtain renewal of the aforesaid bank borrowings for another year based on its previous experience. As further advised by the Company, all the Group’s bank facilities have been utilised, and no financial resources available to the Group as at the Latest Practicable Date have been reserved for the repayment of the aforesaid bank borrowings. Hence, funding will be required by the Group (i) to repay the aforesaid bank borrowings of approximately RMB14 million if no renewal is offered by the banks, and (ii) to repay the aggregate principal amount of the six-month Convertible Notes of up to approximately HK\$28.29 million if there is no extension of the maturity date by the Noteholders and there is no or partial conversion of the Convertible Notes by the maturity date which is expected to be in June 2024.

We have reviewed the working capital forecast of the Group and noted that, for the 12 months from October 2023 to September 2024, the expected finance costs from the Group’s outstanding borrowings are estimated to be approximately RMB2.5 million in aggregate, of which approximately RMB2.3 million in aggregate would fall due in the 9 months from October 2023 to June 2024, that is, before the 2024 AGM. In addition, working capital of approximately RMB14 million would be required in the aforesaid 12 months to finance the Group’s major operating cost including rental, staff cost and professional fees, of which approximately RMB11 million is expected to be required in the aforesaid 9 months. As shown in the working capital forecast of the Group for the 9 months up to 2024 AGM, taking into account the Group’s cash and cash equivalents of approximately RMB5.4 million as at 30 June 2023,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the internal resources generated or expected to be generated from its operating activities, particularly cash expected to be collected from customers and assuming renewal of the aforesaid bank borrowings and full conversion of the Convertible Notes, the Group would have sufficient working capital to cover the aforesaid finance cost and operation needs in the aforesaid period. Nevertheless, as discussed in the paragraphs below, taking into account that no financial resources have been reserved by the Group to finance its potential funding needs, particularly, settlement of its bank borrowings which will fall due in June 2024 in case no renewal can be obtained or repayment of the principal of the Convertible Notes which will fall due in June 2024 if there is no extension of maturity date by the Noteholders and there is no or only partial conversion, we concur with the Directors' view that the Proposed Refreshment of General Mandate provides the Group with flexibility to raise fund before the 2024 AGM when needed.

2. Reasons for the Proposed Refreshment of General Mandate

Upon completion of the July 2023 Subscription in July 2023, only one Share may be further issued under the Existing General Mandate. As the Existing General Mandate has been almost fully utilised and the 2024 AGM, being the next annual general meeting of the Company, is expected to be held in June 2024, the new general mandate to be sought at the EGM ("**New General Mandate**") will provide flexibility for the Company to issue new Shares to raise fund before the 2024 AGM. While the Company has not formulated any concrete plan for raising capital or capitalisation of debts by issuing new Shares under the New General Mandate, the Proposed Refreshment of General Mandate will enable the Company to capture better timing for fund raising and replenish the Company's working capital before the 2024 AGM. Hence, the Directors consider that the Proposed Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

We understand from the Directors that their purpose of obtaining the New General Mandate is to facilitate the Group's possible equity financing activity in the coming months prior to the 2024 AGM to cater for the Group's operation needs given the prevailing challenging operating environment, funding needs for repayment of its bank borrowings which will fall due within one year, interest payment of the Convertible Notes and its principal in case there is no extension of maturity date by the Noteholders and there is no or only partial conversion under such notes by the maturity date which is the sixth month of the date of issue. Taking into account the Group's liquidity position and its funding needs as mentioned above, the Directors consider that it is fair and reasonable for the Group to obtain the New General Mandate as soon as possible to facilitate the Group to capture fund raising opportunity when it arises to improve the Group's liquidity position, as the Group may not be able to procure investors for its Shares timely without sufficient general mandate when any unforeseen imminent funding needs arise prior to the 2024 AGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account that, as mentioned above, (i) the Group incurred losses from operations for FY2022 and 1H2023; (ii) the net current liabilities of the Group as at 30 June 2023; (iii) the funding needs of the Group for (a) repayment of its bank borrowings repayable within one year, of which approximately RMB14 million will fall due by June 2024, in case the Group is not able to obtain renewal of such borrowings from the relevant banks, (b) repayment of the whole or partial amount of the principal of the six-month Convertible Notes of up to approximately HK\$28.29 million in case there is no extension of maturity date by the Noteholders and there is no or only partial conversion by the maturity date which is expected to be in June 2024 assuming the Convertible Notes are issued by December 2023; (iv) the tight liquidity of the Group taking into account its cash and cash equivalents as at 30 June 2023 of RMB5.4 million, which was far below the aforesaid amount of bank and other borrowings; (v) the Group has not reserved any financial reserves for settlement of the aforesaid borrowings; and (vi) the expected working capital needs of the Group in next 9 months up to June 2024 to finance its operation and settle its financing costs in case not sufficient internal resources are generated from its operation, we concur with the Directors' view that the Proposed Refreshment of General Mandate is beneficial to and fair and reasonable for the Group as it would provide the Company flexibility to raise more capital and improve its liquidity should appropriate opportunity arises.

3. Other financing alternatives

As stated in the Letter from the Board, apart from general mandate, the Directors have considered if any other fund raising alternatives such as debt financing, rights issue or open offer is appropriate, taking into consideration of the Group's financial position, capital structure, cost of funding and prevailing market condition.

As considered by the Directors, the debt financing may be subject to lengthy due diligence and negotiations as compared to the equity financing available to the Directors. Also, the upward trend of interest rates will impose a burden on the financial conditions and cash-flow of the Group. As evidenced by the Hong Kong dollar best lending rate quoted by the Hongkong and Shanghai Banking Corporation of 5.875% on 28 July 2023, up from 5.125% on 23 September 2022, the interest rates in Hong Kong have been increasing.

As further stated in the Letter from the Board, the Board is of the view that it is impracticable for the Company to obtain financing from the debt capital markets on terms favourable to the Group in the absence of material assets as security and in light of the net current liabilities of the Group. In addition, the Company did explore opportunities to seek for potential banking facility or bank loans and has commenced to approach a number of financial institutions. However, all of them refused to offer any loan facility as the Company could not provide any appropriate collateral requested by the banks.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed and noted that, as shown in the table of “Financial position” under the paragraphs headed “1. Background of the Group” above, approximately RMB108.3 million or 66.3% over the total assets of the Group of approximately RMB163.3 million as at 30 June 2023 were the fair value of other financial assets as of that date, comprising unlisted equity securities of approximately RMB87.7 million and convertible loans to third parties of approximately RMB20.5 million. As stated in 2023 IR, most of those unlisted equity securities invested by the Group are emerging market growth companies, and some of which are in the stage of research and development. As advised by the Company, while the Company has no intention to realise the aforesaid investment at the current stage, it may consider to dispose of some of them to ease the Group’s cash tight problem, depending on (i) the amount of funding required, for example, the principal amount of the six-month Convertible Notes fall due and not extended and/or converted; and (ii) the funding alternatives available at the relevant time. Nevertheless, it is uncertain if and when the Company can grasp the opportunity to realise those investment at a reasonable price beneficial to and in the interest of the Group and the Shareholders as those investment are unlisted and cannot be freely traded in securities market. As to those convertible loans to the third party of approximately RMB20.5 million, as advised by the Company, approximately RMB15.4 million out of which will mature in December 2023 and the Group intends to offer renewal to such third party having considered the development of such third party, and the balance of approximately RMB5.1 million will only mature after June 2024, thus no redemption money is expected to be received by the Group before the 2024 AGM.

Other assets of the Group as at 30 June 2023 mainly comprised property, plant and equipment, contract assets, prepayments or deposits and receivables required or derived in the Group’s business operation and thus, as advised by the Company, which cannot be easily realised into cash in a short period of time to finance the repayment of bank borrowings as confirmed by the Group.

Other equity financing methods such as rights issue and open offer are considered to be more time and cost consuming than general mandate as prospectus and application/ subscription form for the rights issue or open offer shares have to be prepared and despatched. And it will take a much longer time if general meeting is required to obtain shareholders’ approval on the rights issue/open offer. According to the sample timetables stated in the guideline “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Stock Exchange, it is expected to take 29 to 33 business days to complete a rights issue or an open offer (from the announcement of the rights issue or open offer to the expected first day of dealings in the fully-paid rights shares or offer shares) assuming no general meeting is required to obtain shareholders’ approval on the rights issue or open offer, and 41 business days if a general meeting is required.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We further understand from the Company that, compared to general mandate, fund raising by issue of shares under specific mandate would be less time and cost efficient taking into account the circular and shareholders' approval requirement. Also, the aforesaid preparation process for new issue will only commence after the fund raising opportunity arises in the future. The Proposed Refreshment of General Mandate is a comparatively lower monetary and time cost fund raising alternative that allows the Company to be ready to timely capture such opportunity once the New General Mandate is approved at the EGM.

Taking into consideration of the above, in particular, (i) net cash used in operating activities of RMB8.5 million for 1H2023 was recorded by the Group; (ii) uncertainty of disposal of the unlisted equity securities among the Group's other financial assets before the 2024 AGM; (iii) no redemption money is expected to be received by the Group from the convertible loans to other entities among the Group's other financial assets before the 2024 AGM; and (iv) general mandate is considered more time and cost efficient as compared with other alternative financing means, we concur with the Directors' view that the Proposed Refreshment of General Mandate which allows the Company to have sufficient flexibility to grasp appropriate fund-raising opportunities before the 2024 AGM is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

4. Potential dilution effect to the existing public Shareholders

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the Conversion Price; and (iii) upon full utilisation of the New General Mandate (assuming there are no other changes to the issued share capital of the Company from the Latest Practicable Date):

	As at the		Immediately after the		Immediately after the	
	Latest Practicable Date		allotment and issue of the		allotment and issue of the	
	Number of	Approximate	Conversion Shares upon		Conversion Shares upon	
	Shares	%	full conversion of the		full conversion of the	
			Convertible Notes at the		Convertible Notes at the	
			Conversion Price (assuming		Conversion Price and full	
			that there are no other		utilisation of the New	
			changes to the issued share		General Mandate (assuming	
			capital of the Company		that there are no other	
			from the Latest Practicable		changes to the issued share	
			Date) (Note 1)		capital of the Company	
			Number of	Approximate	Number of	Approximate
	Shares	%	Shares	%	Shares	%
Victory Glory Holdings Limited ("Victory Glory") (Note 2)	24,000,000	8.33	24,000,000	3.63	24,000,000	3.34
Properous Commitment Holdings Limited ("Properous Commitment") (Note 3)	10,320,000	3.58	10,320,000	1.56	10,320,000	1.44
Maria Rachel Mai Decolongon Tatoy (Note 4)	50,562,270	17.55	50,562,270	7.66	50,562,270	7.04

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the Conversion Price (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date) (Note 1)		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the Conversion Price and full utilisation of the New General Mandate (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date) (Notes 1 & 7)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
<i>The Subscribers (Note 5)</i>						
Diligent	16,653,287	5.78	339,159,142	51.37	339,159,142	47.24
Ms. Deng	—	—	15,349,276	2.32	15,349,276	2.14
Ms. Gong	—	—	34,358,947	5.20	34,358,947	4.79
<i>Public Shareholders</i>						
Tan Chiu Lan Francine	18,551,710	6.44	18,551,710	2.81	18,551,710	2.58
Other public Shareholders (Note 6)	167,964,686	58.31	167,964,686	25.44	167,964,686	23.40
Maximum number of Shares to be issued under the New General Mandate	—	—	—	—	57,610,390	8.03
Total	288,051,953	100.00	660,266,031	100.00	717,876,421	100.00

Notes:

1. This is for illustrative purpose only as under the terms of the Convertible Notes, conversion which will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code shall comply with the applicable laws and conversion which will cause the public float of the Shares to be less than 25% (or any given percentage under the Listing Rules) is prohibited.
2. Victory Glory is directly and wholly owned by Mr. Cheng Li, an executive Director.
3. Properous Commitment is directly held by TMF Trust (HK) Limited, a professional trustee engaged by the Company for the operation of the share award plan.
4. Ms. Maria Rachel Mai Decolongon Tatoy holds 23,920,322 Shares and 7,291,666 Shares, respectively through her wholly-owned companies, Prime Wish Limited and Bonus Shares Pte. Ltd and has personal interest of 19,350,282 Shares. She was a substantial shareholder of the Company as at the Latest Practicable Date and will be regarded as a public Shareholder as she will hold less than 10% of the issued share capital of the Company after the issue of the Conversion Shares upon full conversion of the Convertible Notes and full utilisation of the New General Mandate.
5. Prior to the full conversion of the Convertible Notes, Diligent is regarded as a public Shareholder and each of Ms. Deng and Ms. Gong does not hold any interest in the Company. Upon the full conversion of the Convertible Notes (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date), Diligent will become a controlling Shareholder and each of Ms. Deng and Ms. Gong will be regarded as a public Shareholder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. For illustrative purpose, the number of Shares held by public Shareholders does not include that held by Ms. Maria Rachel Mai Decolongon Tatoy.
7. Assuming the only one Share that may be further issued under the Existing General Mandate as at the Latest Practicable Date will not be utilised.

The New General Mandate, if granted, will replace the Existing General Mandate. As illustrated in the table above, the shareholding of the existing other public Shareholders will be diluted from 58.31% as at the Latest Practicable Date to 25.44% after issue of the Conversion Shares upon full conversion, and to 23.40% assuming full utilisation of the New General Mandate.

Taking into account (i) the Group's deteriorating financial performance for FY2022 and 1H2023, net current liabilities and cash position of the Group as at 30 June 2023; (ii) funding needs before the 2024 AGM and thus it is crucial for the Group to have flexibility for fund to improve its liquidity should opportunity arise; (iii) special mandate, rights issue and open offer are considered to be less time and cost efficient than general mandate; (iv) debt financing which has no dilution effect is considered to be difficult and not appropriate for the Group; (v) the shareholding interests of the existing other public Shareholders will be diluted from 25.44% (assuming issue of the Conversion Shares upon full conversion) to 23.40%, taking into account the effect of full utilisation of the New General Mandate which is not inter-conditional with the issue of the Convertible Notes, and this dilution impact is proportional to all the Shareholders; and (vi) the capital base of the Company will be enlarged upon utilisation of the New General Mandate, we concur with the Directors' view that the dilution effect on the shareholding interests of the existing public Shareholders as a result of the full utilisation of the New General Mandate is fair and reasonable and in the interest of the Company and the Shareholders.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the Proposed Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Refreshment of General Mandate.

Yours faithfully,
For and on behalf of
Capital 9 Limited

Chu Tat Hoi
Managing Director

Chan Man Yee
Director

Chu Tat Hoi and Chan Man Yee are licensed persons and responsible officers of Capital 9 Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 20 years and 15 years of experience in the corporate finance industry.

RESPONSIBILITY STATEMENT

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

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES**(a) Directors and chief executive**

As at the Latest Practicable Date, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules are as follows:

Long positions in the Shares of the Company

Name of Director	Nature of Interest	Number of Shares or Underlying Shares	Approximate Percentage of Shareholding
Mr. Cheng Li ⁽¹⁾	Interest in a controlled corporation	24,000,000	8.33%

Note:

- (1) Victory Glory Holdings Limited (“**Victory Glory**”) is directly and wholly owned by Mr. Cheng Li, who is therefore deemed to be interested in all the shares held by Victory Glory.

Interests in other members of the Group (Long Positions)

Name of Director	Name of Subsidiary	Nature of Interest	Approximate Percentage of Shareholding
Ms. Li Juan	Nanjing Xihui Information Technology Company Limited* (南京矽滙信息技術有限公司) (“ Nanjing Xihui ”) ⁽¹⁾	Beneficial owner	85%
	Nanjing Xinchuang Micro Machinery and Electronic Technology Company Limited* (南京芯創微機電技術有限公司) (“ Nanjing Xinchuang ”) ⁽¹⁾	Beneficial owner	85%
Mr. Cheng Li	Nanjing Xihui ⁽¹⁾	Beneficial owner	15%
	Nanjing Xinchuang ⁽¹⁾	Beneficial owner	15%

Note:

1. Pursuant to the contractual arrangement, each of Nanjing Xinchuang and Nanjing Xihui is deemed to be a wholly owned subsidiary of the Company.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective close associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any associated corporations as at the Latest Practicable Date, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

(b) Substantial Shareholder

As at the Latest Practicable Date, the following person (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares

Name	Nature of Interest	Number of Shares or Underlying Shares	Approximate Percentage of Shareholding
Maria Rachel Mai Decolongon Tatoy ⁽¹⁾	Beneficial owner & Interest in a controlled corporation	50,562,270	17.55
Victory Glory Holdings Limited (“ Victory Glory ”) ⁽²⁾	Beneficial owner	24,000,000	8.33
Tan Chiu Lan Francine	Beneficial owner	18,551,710	6.44
Diligent Ally Private Limited	Beneficial owner	16,653,287	5.78

Notes:

- Ms. Maria Rachel Mai Decolongon Tatoy holds 23,920,322 Shares and 7,291,666 Shares, respectively through her wholly-owned companies, Prime Wish Limited and Bonus Shares Pte. Ltd and has personal interest of 19,350,282 Shares.
- Victory Glory is directly and wholly owned by Mr. Cheng Li, an executive Director.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors or chief executive of the Company had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS’ INTERESTS IN CONTRACTS OR ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant to the business of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion and advice which are included in this circular:

Name	Qualification
Capital 9 Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Capital 9 Limited did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Capital 9 Limited did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

Capital 9 Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion or report and the references to its name and/or its opinion or report in the form and context in which they respectively appear.

MATERIAL ADVERSE CHANGES

The Group has defaulted in settlement of the Existing Convertible Notes and the Company has on 21 August 2023 received a statutory demand from the legal adviser acting on behalf of Diligent demanding the Company to repay the outstanding principal and interest of the Existing Convertible Notes issued by the Company to Diligent. The statutory demand requested the Company to repay the outstanding amount within 21 days from the date of service of the statutory demand. The Group has also failed to repay the Existing Loan which was due on 25 August 2023. Pursuant to the Subscription Agreement dated 12 September 2023, the aggregate subscription price of HK\$28.29 million of the Convertible Notes will be satisfied by the Existing Convertible Notes held by Diligent and the Existing Loan owed to the Creditors and the outstanding Extension Fee owed to the Subscribers.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated accounts of the Group were made up.

GENERAL

- (a) The registered office of the Company is situated at Cricket Square Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands.
- (b) The head office and principal place of business of the Company in the PRC is at 13F, Building J, Cloud Security City No. 19 Ningshuang Road, Nanjing, Jiangsu Province, the PRC.
- (c) The principal place of business of the Company in Hong Kong is at Room 1905, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company's website (www.ci123.com) and the Stock Exchange's website (www.hkexnews.hk) from the date of this circular up to and including the date of the EGM (being not less than 14 days):

- (a) the Subscription Agreement;
- (b) the letter from the Independent Board Committee as set out in this circular;
- (c) the letter from the Independent Financial Adviser as set out in this circular; and
- (d) the written consent of the expert referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



China Parenting Network Holdings Limited

中國育兒網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1736)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of China Parenting Network Holdings Limited (the “**Company**”) will be held at Room 1304, 13/F, Building J, Cloud Security City, No. 19 Ningshuang Road, Nanjing, Jiangsu Province, the People’s Republic of China on Thursday, 7 December 2023 at 12:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the issue of unlisted convertible notes in the principal amount of HK\$24,510,445 (the “**Diligent Convertible Notes**”) by the Company to Diligent Ally Private Limited (“**Diligent**”) pursuant to the subscription agreement dated 12 September 2023 (as amended and restated by an amended and restated subscription agreement dated 15 November 2023) and entered into between the Company as issuer and Diligent, Ms. Deng Jingjing and Ms. Gong Yanping as the subscribers (the “**Subscription Agreement**”) (a copy of the Subscription Agreement having been produced to the EGM) and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the conversion shares (the “**Diligent Conversion Shares**”) upon exercise of conversion rights attaching to the Diligent Convertible Notes) be and are hereby approved, confirmed and ratified;
- (b) the board of directors of the Company (the “**Directors**”) be and is hereby granted a specific mandate to allot and issue the Diligent Conversion Shares upon exercise of the conversion rights attached to the Diligent Convertible Notes in accordance with the terms and conditions of the Diligent Convertible Notes; and
- (c) any one or more Directors be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

expedient to carry out and implement the Subscription Agreement, the Diligent Convertible Notes and the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Subscription Agreement.”

2. “THAT

- (a) the issue of unlisted convertible notes in the principal amount of HK\$1,166,545 (the “**Deng Convertible Notes**”) by the Company to Ms. Deng Jingjing pursuant to the Subscription Agreement (a copy of the Subscription Agreement having been produced to the EGM) and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the conversion shares (the “**Deng Conversion Shares**”) upon exercise of conversion rights attaching to the Deng Convertible Notes) be and are hereby approved, confirmed and ratified;
- (b) the Directors be and is hereby granted a specific mandate to allot and issue the Deng Conversion Shares upon exercise of the conversion rights attached to the Deng Convertible Notes in accordance with the terms and conditions of the Deng Convertible Notes; and
- (c) any one or more Directors be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry out and implement the Subscription Agreement, the Deng Convertible Notes and the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Subscription Agreement.”

3. “THAT

- (a) the issue of unlisted convertible notes in the principal amount of HK\$2,611,280 (the “**Gong Convertible Notes**”) by the Company to Ms. Gong Yanping pursuant to the Subscription Agreement (a copy of the Subscription Agreement having been produced to the EGM) and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the conversion shares (the “**Gong Conversion Shares**”) upon exercise of conversion rights attaching to the Gong Convertible Notes) be and are hereby approved, confirmed and ratified;

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (b) the Directors be and is hereby granted a specific mandate to allot and issue the Gong Conversion Shares upon exercise of the conversion rights attached to the Gong Convertible Notes in accordance with the terms and conditions of the Gong Convertible Notes; and
 - (c) any one or more Directors be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry out and implement the Subscription Agreement, the Gong Convertible Notes and the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Subscription Agreement.”
4. **“THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the Directors at the annual general meeting of the Company held on 15 June 2023 be and is hereby revoked by the mandate THAT:
- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares of the Company (the **“Shares”**) and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors during the Relevant Period (as hereinafter defined) pursuant to paragraph (a) above, otherwise than pursuant to (1) a Rights Issue (as hereinafter defined); or (2) the grant or exercise of any option under the option scheme of the Company or any other option, scheme or similar arrangements for the time being adopted for the grant or issue to the Directors, officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (3) any scrip dividend or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (4) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

convertible into shares of the Company, shall not exceed the aggregate of 20% of the total number of issued shares of the Company as at the date of passing this resolution and the said approval shall be limited accordingly;

(d) for the purpose of this resolution:

(i) “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of the Company;

(2) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law of the Cayman Islands to be held; or

(3) the revocation, variation or renewal of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

(ii) “**Rights Issue**” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).”

By order of the Board
China Parenting Network Holdings Limited
Zhang Lake Mozi
Chairperson

Nanjing, the People’s Republic of China
21 November 2023

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 1905
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her/ its proxy to attend and vote instead of him/her/it; a proxy need not be a shareholder of the Company.
2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, a form of proxy must be deposited at the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. by Tuesday, 5 December 2023 at 12:30 p.m.) or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
4. The transfer books and register of members will be closed from Monday, 4 December 2023 to Thursday, 7 December 2023, both days inclusive to determine the entitlement of the shareholders to attend the above meeting, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than Friday, 1 December 2023.