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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)

DISCLOSEABLE TRANSACTIONS SUPPLEMENTAL AGREEMENTS TO EXTEND LOANS

INTRODUCTION

On 29 December 2020, Nanjing Xihui entered into a supplemental loan agreement with Nanjing Qianyu to extend the maturity date of the NQ Loan to Nanjing Qianyu, in a principal amount of RMB12,000,000.

On 1 March 2023, Nanjing Xibai entered into a supplemental financial service cooperation agreement with Beijing Hongwei to extend the maturity date of the BH Loan to Beijing Hongwei in a principal amount of RMB4,000,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of each of the NQ Loan and the BH Loan under Rule 14.07 of the Listing Rules are more than 5% but less than 25%, each of the extension of the maturity date of the NQ Loan and BH Loan constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company acknowledges it did not make timely disclosure on the extension of the NQ Loan and the BH Loan. Therefore, the Company did not comply with the applicable reporting and announcement requirements under Chapter 14 of the Listing Rules in respect of the NQ Loan and the BH Loan.

As the amount of financial assistance granted to each of Nanjing Qianyu and Beijing Hongwei does not exceed 8% of the assets ratio as defined under Rule 13.13 of the Listing Rules, the extension of the NQ Loan and the BH Loan are not subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

BACKGROUND OF THE NQ LOAN AND THE BH LOAN

The NQ Loan

On 29 December 2017, the Nanjing Xihui entered into a loan agreement with Nanjing Qianyu and Jiangsu Wansheng Weiye Network Information Technology Company Limited* (江蘇萬聖偉業網絡科技有限公司) (“**Jiangsu Wansheng**”) under which Nanjing Xihui had agreed to grant a NQ Loan of RMB12,000,000 to Nanjing Qianyu with an interest rate of 6.0% per annum for a term of 3 years, with Jiangsu Wansheng being the guarantor of the Loan. Prior to the maturity date of the NQ Loan, Nanjing Xihui has the right to convert the outstanding amounts into 20% of the equity interests in Nanjing Qianyu.

The BH Loan

On 3 October 2017, Nanjing Xibai entered into a financial service cooperation agreement with Beijing Hongwei under which Nanjing Xibai had agreed to grant a BH Loan of RMB4,000,000 to Beijing Hongwei with an interest rate of 8.0% per annum for a term of 1.5 years. Under the financial service cooperation agreement, Nanjing Xibai has the right to convert the outstanding amounts into equity interests in Beijing Hongwei or its related companies, and the number of equity interests to be converted shall be calculated with reference to the valuation of Beijing Hongwei at the time of conversion which shall not exceed 10 times of its net profits as at 31 December 2021. On 3 March 2019 and 3 March 2021, Nanjing Xibai entered into two renewal agreements with Beijing Hongwei to renew the BH Loan for a term of two years, respectively.

PRINCIPAL TERMS OF EXTENSION OF THE NQ LOAN

Date

29 December 2020

Parties

Nanjing Xihui (the lender);
Nanjing Qianyu (the borrower); and
Jiangsu Wansheng (the guarantor)

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, (i) Nanjing Qianyu, its ultimate controller, Mr. Huang Chaozi (黃朝滋) who holds 78% of its equity interests, and its 14 other ultimate beneficial owners holding the remaining 22% equity interests; and (ii) Jiangsu Wansheng and its ultimate beneficial owner, Leo Group Co., Ltd. (利歐集團股份有限公司) (002131.SH) are third parties independent and not connected with the Company and any of its connected persons. As at the date of this announcement, the Company does not hold any equity interests in Nanjing Qianyu.

Subject Matter

Nanjing Xihui and Nanjing Qianyu agreed that the maturity date of the NQ Loan in the principal amount of RMB12,000,000 with an interest rate of 6.0% per annum shall be extended by three years to 29 December 2023.

As at the date of this announcement, Nanjing Qianyu had not repaid any accrued interests under the NQ Loan.

PRINCIPAL TERMS OF EXTENSION OF THE BH LOAN

Date

1 March 2023

Parties

Nanjing Xibai (the lender); and
Beijing Hongwei (the borrower)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Beijing Hongwei and its ultimate beneficial owners, Mr. Wang Wenhong (王文紅) and Ms. Gao Shanshan (高珊珊) who holds 51% and 49% of its equity interests, respectively are third parties independent and not connected with the Company and any of its connected persons. As at the date of this announcement, the Company does not hold any equity interests in Beijing Hongwei.

Subject Matter

Nanjing Xibai and Beijing Hongwei agreed that the maturity date of the BH Loan in the principal amount of RMB4,000,000 with an interest rate of 8.0% per annum shall be extended by two years to 3 March 2025.

As at the date of this announcement, Beijing Hongwei had not repaid any accrued interests under the BH Loan.

REASONS FOR GRANTING AND EXTENDING THE NQ LOAN AND THE BH LOAN

The NQ Loan

Nanjing Qianyu is a major platform for parent-child consumption. Among others, it has developed a family-outing mobile app which allows families to browse and participate in a wide range of parent-child activities. Through leveraging on technology, Nanjing Qianyu aims to offer innovative solutions for families in the PRC and efficient marketing services to partner organizations.

Prior to granting the NQ Loan to Nanjing Qianyu, the Company had reviewed the business plan and the financial information of Nanjing Qianyu, which showed an increasing trend in the sales revenue of Nanjing Qianyu. By granting the NQ Loan to Nanjing Qianyu, the Company aims to contribute to the growth of the mother-child market and enriching the overall consumer experience. This aligns with the Company's business strategy in reinforcing the mother-child industry in the PRC and creating a win-win environment for the Group by achieving external economies of scale. Subsequent to the grant and renewal of the NQ Loan, the Company would request Nanjing Qianyu and Jiangsu Wansheng to provide their financial statements for annual review.

The Company has discussed with Nanjing Qianyu and Jiangsu Wansheng and is given to understand that both of the companies have some cash flow issues. However having reviewed the operational information, financial information and business plan of the companies, the Company is of the view that (i) the business of Nanjing Qianyu shall gradually recover as the COVID-19 pandemic gradually stabilized, and (ii) Jiangsu Wansheng will have sufficient assets to fulfil its obligation as a guarantor in the future if necessary. Furthermore, although the Company has not received any interest payments from Nanjing Qianyu, in addition to the guarantee by Jiangsu Wansheng, having considered (i) the business prospect of Nanjing Qianyu; (ii) the right of the Company to convert the outstanding amounts into 20% of the equity interests in Nanjing Qianyu, the Company is of the view that the extension of the NQ Loan is beneficial to the Company such that it will provide time and financial flexibility for Nanjing Qianyu to turnaround its business and allow the Company to recover the outstanding amount when the market condition improves.

As Nanjing Xihui has the right to convert outstanding amounts into 20% of the equity interests in Nanjing Qianyu, the Company has classified the NQ Loan as financial assets at fair value through profit or loss under IFRS 9 Financial Instruments. As at 31 December 2022, the NQ Loan was measured at fair value at RMB14,400,135.20. The Company will continue to monitor the financial condition of Nanjing Qianyu and assess its creditworthiness, and will take appropriate measures in a timely manner, including but not limited to exercising its right of conversion or taking legal action against Nanjing Qianyu and/or Jiangsu Wansheng, if necessary.

The BH Loan

Beijing Hongwei specializes in providing equipment support to medical institutions and developing online platform for health consultation. Through the use of internet technology, Beijing Hongwei has been actively involved in establishing a tiered diagnosis and treatment system for the township medical institutions in the PRC.

Prior to granting the BH Loan to Beijing Hongwei, the Company had reviewed the business plan and financial information of Beijing Hongwei. By granting the BH Loan to Beijing Hongwei, the Company aims to contribute to the advancement of healthcare ecosystem and improve the overall well-being of families in the PRC. This aligns with the Company's business strategy in supporting innovative solutions in the healthcare industry and expanding to the family medical sector. Subsequent to the grant and renewal of the BH Loan, the Company would request Beijing Hongwei to provide its financial statements for annual review.

The Company has discussed with Beijing Hongwei and is given to understand that Beijing Hongwei has some cash flow issues. Although the Company has not received any interest payments from Beijing Hongwei, the Company is of the view that the extension of BH Loan is beneficial to the Company such that it will provide time and financial flexibility to Beijing Hongwei to turnaround its business and allow the Company to recover the outstanding amount when the market condition improves and the Board is of the view that the financial position of Beijing Hongwei will gradually recover following the end of the COVID-19 pandemic.

As Nanjing Xibai has the right to convert the outstanding amounts into equity interests in Beijing Hongwei or its related companies and the number of equity interests to be converted shall be calculated with reference to the valuation of Beijing Hongwei at the time of conversion which shall not exceed 10 times of its net profits as at 31 December 2021, the Company has classified the BH Loan as financial assets at fair value through profit or loss under IFRS 9 Financial Instruments. As at 31 December 2022, the BH Loan was measured at fair value at RMB4,750,667.37. The Company will continue to monitor the financial condition of Beijing Hongwei and assess its creditworthiness, and will consider taking legal action against Beijing Hongwei if it defaults on the BH Loan.

LISTING RULES IMPLICATIONS

Due to inadvertent mistake, the Company failed to make timely disclosure of the NQ Loan and the BH Loan. Such failure was unintentional and was due to a misunderstanding by the management of the Company that the extensions of the maturity dates of the NQ Loan and the BH Loan did not constitute a notifiable transaction under the Listing Rules and therefore unaware that the requirements under Chapter 14 of the Listing Rules are applicable. The Company has included the details of the Loans in the 2022 annual report of the Company under the section headed “Management Discussion and Analysis — Loans to Other Entities”.

As one or more of the applicable percentage ratios in respect of each of the NQ Loan and the BH Loan under Rule 14.07 of the Listing Rules are more than 5% but less than 25%, each of the extension of the maturity date of the NQ Loan and BH Loan constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the amount of financial assistance granted to each of Nanjing Qianyu and Beijing Hongwei does not exceed 8% of the assets ratio as defined under Rule 13.13 of the Listing Rules, the extension of the NQ Loan and the BH Loan are not subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

INTERNAL CONTROL MEASURES

The Company would like to express deep regret for its inadvertent and unintentional overlook of the requirements of the Listing Rules. To prevent similar incidence in the future, the Company has implemented the following remedial actions with immediate effect:

1. the Company will arrange regular training on regulatory compliance matters relating to notifiable transactions to the Directors, senior management and responsible staff to ensure that they fully understand the requirements of the Listing Rules;
2. the Company shall, as and when appropriate and necessary, consult external legal advisers and/or other professional adviser before entering into possible notifiable transaction or when notifiable transactions are being contemplated, including any grant of loan or future extension of maturity dates of loan; and

3. the Company will discuss and review its internal control and compliance system to identify any weakness and consider further remedial actions to address them. Going forward, the Company will continue to comply with the management procedures and make sure disclosure in a timely manner to ensure full compliance with the Listing Rules.

DEFINITION

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

“Beijing Hongwei”	Beijing Hongwei Technology Company Limited* (北京宏偉科技有限公司), a company incorporated in the PRC with limited liability
“BH Loan”	A loan in the total principal amount of RMB4,000,000 outstanding owing by Beijing Hongwei to Nanjing Xibai
“Company”	China Parenting Network Holdings Limited 中國育兒網絡控股有限公司, an exempted company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1736)
“Director(s)”	directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	collectively, the NQ Loan and BH Loan
“Nanjing Qianyu”	Nanjing Qianyu Information Technology Company Limited* (南京千魚信息技術有限公司), a company incorporated in the PRC with limited liability
“Nanjing Xibai”	Xibai (Naijing) Information Technology Company Limited* (矽柏(南京)信息技術有限公司), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“Nanjing Xihui”	Nanjing Xihui Information Technology Company Limited* (南京矽滙信息技術有限公司), a company incorporated in the PRC with limited liability, the financial results of which have been consolidated and accounted for as a subsidiary of the Group through contractual arrangement
“NQ Loan”	A loan in the total principal amount of RMB12,000,000 outstanding owing by Nanjing Qianyu to Nanjing Xihui

“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage or per centum

The English translation of the Chinese names in this announcement marked with “” are not official English names and are for identification purpose only.*

By Order of the Board
China Parenting Network Holdings Limited
CHENG LI
CEO

Nanjing, the People’s Republic of China, 6 December 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Lake Mozi, Mr. Cheng Li, Mr. Lin Luofeng and Ms. Ng Kwok Ying Isabella; the non-executive Directors are Ms. Li Juan and Mr. Zhang Haihua; and the independent non-executive Directors are Mr. Zhao Zhen, Mr. Ge Ning and Mr. Manley Poon.