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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 TRANSACTION DISPOSAL OF EQUITY INTEREST IN DEPTH ELEMENT

THE DISPOSAL

The Board hereby announces that on 19 December 2023 (after trading hours), Nanjing Xinchuang and Mr. Zhang entered into the Equity Transfer Agreement, pursuant to which Mr. Zhang agreed to acquire and Nanjing Xinchuang agreed to sell, 10% equity interest in Depth Element at a consideration of RMB1,500,000.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in respect of the Disposal contemplated under the Equity Transfer Agreement is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Group and is subject to reporting and announcement requirements but exempt from the shareholders' approval under Chapter 14 of the Listing Rules.

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The Board hereby announces that on 19 December 2023 (after trading hours), Nanjing Xinchuang and Mr. Zhang entered into the Equity Transfer Agreement, pursuant to which Mr. Zhang agreed to acquire and Nanjing Xinchuang agreed to sell, 10% equity interest in Depth Element (the corresponding registered capital is RMB100,000, which has been fully paid-up) at a consideration of RMB1,500,000. Upon completion of the Disposal, Nanjing Xinchuang will no longer hold any equity interest in Depth Element.

DETAILS OF THE EQUITY TRANSFER AGREEMENT

Date: 19 December 2023 (after trading hours)

Parties: (1) Mr. Zhang (as the purchaser)
(2) Nanjing Xinchuang (as the vendor)

Prior to the entering into of the Equity Transfer Agreement, Depth Element was held as to 90% by Mr. Zhang, the executive director of Depth Element. Mr. Zhang is also the founder of Depth Element. To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, Mr. Zhang is an Independent Third Party.

CONSIDERATION AND ITS BASIS

The consideration is RMB1,500,000, which was determined after arm's length negotiation between the parties with reference to (i) the operating conditions of Depth Element since the Group's investment, (ii) the net loss of Depth Element amounted to approximately RMB5.8 million and RMB0.2 million for the year ended 31 December 2022 and the six months ended 30 June 2023, respectively and the revenue generated by Depth Element amounted to RMB0.9 million for the six months ended 30 June 2023 and (iii) the Group's expectation on the uncertain prospects of Depth Element.

PAYMENT OF CONSIDERATION AND COMPLETION

Within five days from the date of the Equity Transfer Agreement, the Purchaser shall pay to the vendor the consideration of RMB1,500,000.

EXPENSES

All stamp duty and industrial and commercial registration fees (if any) arising from the equity transfer shall be borne by the Purchaser in accordance with the tax law and relevant regulations.

THE RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS AND THE ALLOCATION OF PROFITS AND LOSSES

Since the date of Equity Transfer Agreement, the Purchaser shall effectively own the rights of equity interest holder corresponding to the Target Equity and perform the corresponding equity interest holder's obligations (subject to the specific provisions of laws and regulations and the articles of association).

Since the date of Equity Transfer Agreement, the accumulated undistributed profits/losses of Depth Element shall be borne by the Purchaser.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS FROM THE DISPOSAL

Upon completion of the Disposal, the Group will no longer hold any equity interest in Depth Element.

Depth Element had been accounted for as an equity investment at fair value through other comprehensive income and its financial results have not been consolidated in the Group's financial statements since the completion of its acquisition in 2018. Upon the Disposal, the Depth Element will cease to be classified as an equity investment at fair value through other comprehensive income of the Group.

It is estimated that the Group will record a gain of approximately RMB1,500,000 from the Disposal, being the difference between (i) the proceeds of approximately RMB1,500,000; and (ii) the nil fair value of Depth Element as at 30 June 2023.

It is expected that the net proceeds from the Disposal will be used by the Group as general working capital of the Group.

REASONS AND BENEFIT FOR THE DISPOSAL OF DEPTH ELEMENT

Since Nanjing Xinchuang's investment in Depth Element in 2018, the operating conditions of Depth Element have not met the Group's expectations, and there was a net loss of over RMB0.2 million of Depth Element for the six months ended 30 June 2023. The Disposal will provide cash inflow to the Group, which is beneficial to maintain the Group's liquidity and the overall development of the Group. The Directors are of the view that the Equity Transfer Agreement has been negotiated on an arm's length basis and on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON DEPTH ELEMENT

Depth Element is a company established in the PRC with limited liability with registered and paid-up capital of RMB1,000,000. It is principally engaged in the provision of artificial intelligence-based technology, including item identification, human body identification, path recognition and behavior recognition; and the provision of analysis services based on the above identification technologies, such as crowd analysis, business analysis, personalized recommendation and marketing, intelligent shopping guide. Prior to entering into the Equity Transfer Agreement, Nanjing Xinchuang held 10% equity interest in Depth Element.

Set out below is the major financial data of Depth Element for the years ended 31 December 2021 and 2022 and six months ended 30 June 2023 prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended 31 December 2021 RMB (audited)	For the year ended 31 December 2022 RMB (audited)	For the six months ended 30 June 2023 RMB (unaudited)
Total assets	5,678,471.61	1,842,083.87	4,091,599.13
Total net profit (loss) before and after taxation	64,159.84	(5,827,647.05)	(203,103.58)

INFORMATION ON THE PARTIES

Nanjing Xinchuang

Nanjing Xinchuang is a company established in the PRC with limited liability and is included in the Group's consolidated financial statements as if it is the Group's subsidiary through contractual arrangement. It is principally engaged in the provision of marketing and promotional services and e-commerce business.

The Group is a mother-child platform in the PRC, providing users with content, community, new media, e-commerce, smart hardware and other related services through a portfolio of websites and APPs including CI Web, Mama BBS APP, Pregnancy Tracker APP, new media matrix and mother-child online communities, covering areas including new retail, health, education, home entertainment and family travel, etc.

Depth Element

Depth Element is a company established in the PRC with limited liability. It is principally engaged in the provision of artificial intelligence-based technology and analysis services based on the identification technologies.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in respect of the Disposal contemplated under the Equity Transfer Agreement is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Group and is subject to reporting and announcement requirements but exempt from the shareholders' approval under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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)
“Depth Element”	Nanjing Depth Element Artificial Intelligence Technology Development Company Limited* (南京深度元素人工智能技術研發有限公司), a company established in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“Disposal”	disposal of 10% equity interest in Depth Element to Mr. Zhang by the Company pursuant to the terms and conditions of the Equity Transfer Agreement
“Equity Transfer Agreement”	The equity transfer agreement dated 19 December 2023 entered into between Nanjing Xinchuang and Mr. Zhang
“Group”	the Company and its subsidiaries from time to time
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Mr. Zhang” or the “Purchaser”	Mr. Zhang Hua (張華)
“Nanjing Xinchuang”	Nanjing Xinchuang Micro Machinery and Electronic Technology Company Limited* (南京芯創微機電技術有限公司), a company established in the PRC with limited liability and is included in the Group’s consolidated financial statements as if it is the Group’s subsidiary through contractual arrangement

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Equity”	10% equity interest in Depth Element held by the Company
“%”	per cent

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

Nanjing, the People’s Republic of China, 19 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.

* *for identification purpose only*