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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)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO DISPOSAL OF INTEREST IN A SUBSIDIARY

THE DISPOSAL AGREEMENT

On 15 January 2024 (after trading hours), Nanjing Wanhui (an indirect wholly-owned subsidiary of the Company), Nanjing Xibai (as vendor) and Nanjing Zhiye (as purchaser) entered into the Disposal Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the Disposal Shares, which represent the entire issued share capital of the Target Company, at an aggregate consideration of RMB19,090,000.

As at the date of this announcement, the Target Company was owned as to 100% by Vendor. Upon completion of the Disposal, the Company will not have any interests in the Target Company and the Target Company will cease to be a subsidiary of the Company.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal Agreement is over 75%, the Disposal constitutes a very substantial disposal for the Company and is therefore subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, (i) further details of the Disposal Agreement; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Remaining Group; and (iv) a notice convening the EGM is expected to be despatched to the Shareholders on or no later than 5 February 2024, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

THE DISPOSAL AGREEMENT

Date:

15 January 2024 (after trading hours)

Parties:

Vendor: Nanjing Xibai

Purchaser: Nanjing Zhiye

Nanjing Zhiye is a PRC-incorporated company principally engaged in provision of property management. Nanjing Zhiye is owned as to 99.0% and 1.0% by Zhou Peng (周鵬) and Zhang Chao (張超). Zhou Peng is also the executive director of Nanjing Zhiye and the largest shareholder of Nanjing Naiyun Technology Co., Ltd.* (南京翺雲信息技術有限公司), a company principally engaged in the provision of information technology services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Nanjing Zhiye and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Assets to be disposed of

Subject to the terms and conditions of the Disposal Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to dispose of, the Disposal Shares, which represent the entire issued share capital of the Target Company.

Consideration

The Consideration for the Disposal was RMB19,090,000.

The Consideration shall be paid in cash and deposited into the escrow bank account by the Purchaser in the following manners:

- (i) an amount of RMB1,000,000 (the “**Deposit**”) shall be deposited into the escrow bank account on the date of the Disposal Agreement; and
- (ii) an amount of RMB18,090,000 (representing the Consideration deducted by the Deposit) shall be deposited into escrow bank account within three days from the passing of the necessary resolution(s) by the Shareholders approving the Disposal Agreement and the transactions contemplated thereunder.

The Consideration shall be transferred from the escrow account to the Vendor in the following manners:

- (iii) an amount of RMB17,181,000 (representing 90% of the Consideration) shall be payable within one business day from the completion of the change of registration record of the Industrial and Commercial Registration Department;

- (iv) an amount of RMB954,500 (representing 5% of the Consideration) shall be payable within one month after the change of registration record of the Industrial and Commercial Registration Department; and
- (v) an amount of RMB954,500 (representing 5% of the Consideration) shall be payable within three months after the change of registration record of the Industrial and Commercial Registration Department.

The Consideration of RMB19,090,000 was determined after arm's length negotiations between the Purchaser and the Vendor with reference to registered capital of the Target Company of RMB20,000,000 as at the date of the Disposal Agreement, the cost incurred by the Target Company to acquire the Property (as defined below) of approximately RMB16,030,000 and the Adjusted NAV (as defined below) of the Target Company.

Such Consideration represents a premium of approximately 12.3% to the sum of the adjusted net assets value (the "**Adjusted NAV**") of the Target Company attributable to the Company of approximately RMB17.0 million. The Adjusted NAV attributable to the Company was determined based on the unaudited net assets value of the Target Company attributable to the Company of approximately RMB14.4 million as at 31 December 2023 adjusted by the appreciation in the value of property under the development (the "**Property**") of the Target Company attributable to the Company (which the appreciation in turn is estimated based on 9.7% of the increment of the fair value of the Property as at 31 December 2023 of RMB2.6 million as valued by an independent property valuer as compared with the book value of the Property of approximately RMB26.9 million as at 31 December 2023) and having taken into account the book value of the outstanding progress payments for the Target Company of approximately RMB13.1 million as at 31 December 2023.

Conditions precedent

Completion is subject to the following conditions, among others, having been fulfilled:

- (i) the passing of the necessary resolution(s) by the Shareholders approving the Disposal Agreement and the transactions contemplated thereunder; and
- (ii) the Deposit shall be paid to an escrow bank account.

Furthermore, the Disposal Agreement shall become unconditional upon, among others, the following conditions are fulfilled (or waived by the Vendor):

- (i) the approval of shareholders of Nanjing Wanhui approving the Disposal;
- (ii) the representation from Nanjing Wanhui and Nanjing Xibai that the Disposal Shares will not be subject to any restrictions on rights, such as mortgage, pledge, custody, transfer, donation, cooperation with third parties, nor has it involved disputes such as litigation, arbitration, seizure;
- (iii) the approval of shareholders of Nanjing Xibai approving the Disposal; and
- (iv) the full, frank and complete disclosure of the asset, liability, equity, guarantee and all other information relevant to the Disposal by Nanjing Wanhui.

Completion

Subject to the fulfillment of all conditions precedent, completion shall take place on the date on which the Consideration is paid by the Purchaser to the escrow account (the “**Completion Date**”).

Deposit

The Deposit shall be returned to Nanjing Zhiye and Nanjing Xibai shall pay Nanjing Zhiye another RMB1,000,000 as compensation if (i) the Disposal Agreement is terminated by Nanjing Xibai or Nanjing Wanhui; (ii) the Disposal Agreement does not take effect due to reasons caused by Nanjing Xibai or Nanjing Wanhui or (iii) the Disposal is not approved by the Shareholders and the Stock Exchange within three months after the date of the Disposal Agreement and within five days of the reminder from Nanjing Zhiye.

If the Disposal Agreement does not take effect due to reasons caused by or is terminated by Nanjing Zhiye after the passing of the necessary resolution by the shareholders of the Company or Nanjing Xibai, the Deposit shall be paid to Nanjing Xibai.

FUND SUPERVISION AGREEMENT

Nanjing Zhiye, Nanjing Xibai and Nanjing Ningnan Real Estate Development Co., Ltd.* (南京寧南房地產開發有限公司) (“**Nanjing Ningnan**”) also entered into a fund supervision agreement on 15 January 2024, pursuant to which Nanjing Zhiye and Nanjing Xibai entrusted Nanjing Ningnan to open an escrow bank account to supervise the Consideration paid by Nanjing Zhiye to Nanjing Xibai.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company. Upon completion of the Disposal, the Company will not hold any interests in the Target Company and the Target Company will cease to be a subsidiary of the Company.

For illustrative purpose, the Group is expected to record a gain of approximately RMB4.5 million, which is calculated based on the sum of the Consideration of RMB19,090,000 and the, deducted by (i) the Target Company’s unaudited net assets attributable to the Company of approximately RMB14.4 million as at 31 December 2023; and (ii) an estimated transaction cost of approximately RMB0.2 million for the Disposal. The exact amount of gain to be incurred by the Company as a result of the Disposal will be determined based on the financial position of the Company and the Target Company as at the Completion Date (as defined above). Shareholders should note that the abovementioned information on the financial effects of the Disposal was determined based on preliminary internal estimation made by the Company and is not pro forma financial information. Such information has not been reported on by the reporting accountants of the Company and is set out in this announcement for illustration purpose only. The unaudited pro forma financial statements of the Group and the related financial impacts will be disclosed in the circular to be despatched to the Shareholders on or before 5 February 2024.

The net proceeds from the Disposal (after deducting the transaction expenses related to the Disposal of approximately RMB230,000) are estimated to be approximately RMB18.86 million, which the Company intends to apply as general working capital of the Remaining

Group for procurement and development of proprietary products. The development of proprietary products refers to the expansion of the existing business of the Remaining Group, namely the e-commerce business, including the sale of the Group's own brand mother-child products which are produced by manufacturers according to the Group's customisation.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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.

The Target Company is principally engaged in the provision of technical support and consultancy related services to the Group. The Target Company, together with nine other companies, entered into the right of use of state-owned construction land transfer agreement (國有建設用地使用權出讓合同) with Nanjing Municipal Planning and Natural Resources Bureau* (南京市規劃自然資源局) in 2019, pursuant to which the right of use of a piece of land in Nanjing was transferred to the Target Company and other companies. The Target Company has commenced the construction of the Property, an office building for the Group's internal use, since 2019 after the acquisition of the right of use. The construction of the main structure of the Property has been completed and the Property is in the post-construction phase, including utility installation.

The Group is experiencing tight cash flow to manage its operation. As at 31 December 2023, the Group has an outstanding loan of a total of RMB44.8 million. At the same time, the Group's revenue has been declining steadily resulting in losses due to poor market conditions. Its financial performance, balance sheet and cash position has continued to deteriorate significantly in 2023. The Group expects to obtain renewal for the outstanding bank loans and is in negotiation with other creditors for the possibility of capitalisation of debts.

Also, prior to entering into the Disposal Agreement, the Group is unable to fund the progress payments of approximately RMB51.9 million expected to be incurred for construction and operation of the Property, which include RMB35.5 million for construction and RMB16.4 million for interior decoration. If the Group fails to settle these progress payments, it runs the risk of defaulting on its construction contracts, thus creating legal risks for the Company. Therefore, the Board decided to enter into the Disposal Agreement which provided that the outstanding progress payments will be settled by the Purchaser upon the completion of the Disposal.

The Group has also reduced its staff considerably for cost-cutting purpose and the number of employees has decreased significantly since the building contract was signed. Currently, a large office is no longer necessary as originally contemplated.

Based on the above, the Board considers that the entering into the Disposal Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

The unaudited net profits or losses before and after taxation of the Target Company for each of the two years ended 31 December 2022 and 31 December 2023 and the unaudited net assets or net liabilities value of the Target Company as at 31 December 2022 and 31 December 2023 are set out below:

	Year ended 31 December	
	2022	2023
	RMB	RMB
	(million)	(million)
(Loss)/profit before taxation	(2.9)	16.1
Net (loss)/profit after taxation	(2.9)	16.1
	As at 31 December	
	2022	2023
	RMB	RMB
	(million)	(million)

According to the unaudited financial statements of the Target Company, as at 31 December 2023, the Target Company's major assets comprised the Property, which amounted to RMB26.9 million, and the Target Company's major liabilities comprised the outstanding progress payments of the Property of approximately RMB13.1 million.

As the Target Company is principally engaged in the provision of technical support and consultancy related services to the Group, the historical profit or loss of the Target Company stated above represented internal profit or loss generated within the Group. The services provided by the Target Company will be provided by other subsidiaries of the Company and there will be no material impact to the business operation of the Remaining Group after completion of the Disposal.

INFORMATION ON THE REMAINING GROUP

Upon completion of the Disposal, the Remaining Group will continue to operate the mother-child platform in the PRC.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal Agreement is over 75%, the Disposal constitutes a very substantial disposal for the Company and is therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, (i) further details of the Disposal Agreement; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Remaining Group; and (iv) a notice convening the EGM is expected to be despatched to the Shareholders on or no later than 5 February 2024, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

DEFINITIONS

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

“Board”	the board of the Directors
“Consideration”	the consideration for the Disposal payable by the Purchaser to the Vendor under the Disposal Agreement, being RMB19,090,000
“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)”	director(s) of the Company from time to time
“Disposal”	the sale of the entire interest in the Target Company by Nanjing Xibai to Nanjing Zhiye pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional agreement dated 15 January 2024 entered into among the Nanjing Xibai, Nanjing Zhiye and Nanjing Wanhui in relation to the sale and purchase of the Disposal Shares
“Disposal Shares”	the entire issued share capital of the Target Company
“EGM”	the extraordinary general meeting of the Company to be convened to seek the approval of the Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Wanhui” or “Target Company”	Nanjing Wanhui Information Technology Company Limited* (南京灣匯信息科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Nanjing Xibai

“Nanjing Xibai”	Xibai (Nanjing) 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 Zhiye”	Nanjing Zhiye Enterprise Management Co., Ltd. * (南京智冶企業管理有限公司), a limited liability company established in the PRC
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Purchaser”	Nanjing Zhiye, being the purchaser of the Disposal Shares pursuant to the Disposal Agreement
“Remaining Group”	the Group immediately after completion of the Disposal Agreement
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Nanjing Xibai, being the vendor of the Disposal Shares pursuant to the Disposal Agreement

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

Nanjing, the People’s Republic of China, 15 January 2024

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*