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BABYTREE GROUP

寶寶樹集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1761)

**DISCLOSEABLE TRANSACTION
DISCLOSURE PURSUANT TO RULES 13.13 AND 13.15
OF THE LISTING RULES**

ADVANCES TO THE BORROWERS

Since the Company's listing on November 27, 2018, the Group had made certain advances to BT Market and BT Advisory in relation to various projects, among others:

- On December 27, 2019 and April 28, 2021, the Group entered into the First BT Market Agreement and the Second BT Market Agreement with BT Market, pursuant to which the Group agreed to advance a loan in the principal amount of RMB80,000,000 and RMB25,000,000 to BT Market, respectively.
- On December 27, 2019 and April 23, 2021, the Group entered into the First BT Advisory Agreement and the Second BT Advisory Agreement with BT Advisory, pursuant to which the Group agreed to advance a loan in the principal amount of RMB36,000,000 and RMB80,000,000 to BT Advisory, respectively.

LISTING RULES IMPLICATIONS

BT Advisory is a wholly-owned subsidiary of BT Market. Hence, they are parties associated with one another, and the Advances made under the Agreements to BT Market and BT Advisory shall be aggregated as a series of transaction pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As none of the applicable percentage ratios (as defined under the Listing Rules) in respect of the advances made under each of the Agreements (on a standalone basis) exceeded 5%, nor did the advances made under the First Agreements (on an aggregate basis) exceeded 5%, such advances to the Borrowers did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratio (as defined under the Listing Rules) in respect of the advances made under (i) the First Agreements and the Second BT Advisory Agreement (on an aggregate basis); and (ii) the Agreements (on an aggregate basis), exceeded 5% but was lower than 25%, such advances to the Borrowers constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Further, the provision of Advances to the Borrowers, on a standalone basis and an aggregate basis, constituted advances to an entity under Rule 13.13 of the Listing Rules.

As at August 23, 2021, being the date of the publication of the Company's interim results announcement for the six months ended June 30, 2021, the assets ratio for the amount due for the Borrowers had exceeded 8% based on the total assets of the Company as at June 30, 2021 and therefore the provision of the Advances was subject to the announcement requirement under Rule 13.13 of the Listing Rules.

The Company should have complied with the general disclosure obligations under Rules 13.13 and 13.15 and the relevant notification and announcement requirements under Chapter 14 of the Listing Rules in respect of the Advances as and when such obligations arose. Regrettably, the Board had overlooked the requirements to comply with the requirements under Rules 13.13 and 13.15 and Chapter 14 of the Listing Rules.

The Board will implement certain remedial actions and procedures for the avoidance of future occurrence of non-compliance of the Listing Rules.

ADVANCES TO THE BORROWERS

Since the Company's listing on November 27, 2018, the Group had made certain advances to the Borrowers in relation to various projects, among others:

- On December 27, 2019 and April 28, 2021, the Group entered into the First BT Market Agreement and the Second BT Market Agreement with BT Market, pursuant to which the Group agreed to advance a loan in the principal amount of RMB80,000,000 and RMB25,000,000 to BT Market, respectively.
- On December 27, 2019 and April 23, 2021, the Group entered into the First BT Advisory Agreement and the Second BT Advisory Agreement with BT Advisory, pursuant to which the Group agreed to advance a loan in the principal amount of RMB36,000,000 and RMB80,000,000 to BT Advisory, respectively.

The Agreements were entered into with the Borrowers after arm's length negotiations and during the Group's ordinary and usual course of business for the development of business projects. The Advances have been primarily used for market research, business strategy planning, preliminary business preparation, business promotion, design update and development of underlying technologies in relation to the business projects.

The principal terms of the Agreements are summarized as follows:

	First BT Market Agreement	Second BT Market Agreement	First BT Advisory Agreement	Second BT Advisory Agreement
Date	: December 27, 2019	April 28, 2021	December 27, 2019	April 23, 2021
Lender(s)	: Zhongming and BabyTree Information			
Borrower(s)	: BT Market		BT Advisory	
Expected loan term⁽¹⁾	: 3 years			
Principal amount	: RMB80,000,000	RMB25,000,000	RMB36,000,000	RMB80,000,000
Interest	: 5.5%			
Interest-free period⁽²⁾	: From December 27, 2019 to December 31, 2022	From April 28, 2021 to December 31, 2023	From December 27, 2019 to December 31, 2022	From April 23, 2021 to December 31, 2023
Security⁽³⁾	: None			
Repayment	: The Borrowers shall fully repay the principal amount of the Advances under the relevant Agreements together with all interests accrued thereon upon receiving a written notice from the Lenders requesting repayment of the Advances			

Notes:

1. No loan term was specified in the Agreements. Nonetheless, it was expected that the loan term will be a maximum of three years, based on the business plans of the relevant business projects to which the Advances were subject to.
2. In assessing the terms and conditions of the Advances, the Company believes that long-term business growth and economic benefits derived from successful projects to the Company outweighs the short-term gain arising from any interest income. When assessing the terms of the loan and the long-term development of the projects, the Group had agreed to grant an interest-free period to BT Market and BT Advisory for the purposes of supporting the early development of the projects, while maintaining a good cooperation and synergy with them during the development of the projects. At the time of granting the Advances, the Company believed that the projects collaborated with BT Market and BT Advisory would provide potential business growth and economic benefits to the Group in the long-term, and accordingly, it is of the view that the granting of such interest-free period will benefit the development of the project, which will improve the long-term prospects of the Group, and is therefore in the interests of the Company and the Shareholders.
3. In assessing the principal amount of the Advances, the Borrowers were required to provide a general plan and budget of the relevant business projects for the Group to approve, which were used as the basis for evaluating the principal amount and the terms of the Advances. After the commencement of the relevant business project, the Borrowers were required to provide the Group with monthly cost reconciliation forms as records for the actual use of the Advances in order for the Group to review and monitor. Accordingly, no security was required in relation to the Agreements.

As at August 23, 2021, being the date of the publication of the Company's interim results announcement for the six months ended June 30, 2021, the outstanding balance of the Advances was approximately RMB188.4 million. Further, (i) since December 31, 2021 and up to June 29, 2022; (ii) since June 30, 2022 and up to the date of this announcement, the outstanding balances of the Advances were approximately RMB216.7 million and RMB102.1 million (unaudited and subject to adjustments, if any), respectively; and (iii) as at June 30, 2022, the total amount repaid by the Borrowers was approximately RMB114.6 million.

The provision of the Advances was financed by the internal resources of the Group, and the Directors are of the view that the provision of Advances to the Borrowers did not have any material adverse effect on the financial position of the Group. As at the date of this announcement, no loans in relation to the Agreements have been overdue.

REASONS FOR AND BENEFITS OF THE ADVANCES

The Company believes that long-term business growth and economic benefits hinges on the development of successful projects. Against this background, the Group had agreed to grant the Advances to BT Market and BT Advisory for the purposes of supporting the early development of the projects, while maintaining a good cooperation and synergy with them during the development of the projects. At the time of granting the Advances, the Company believed that the projects collaborated with BT Market and BT Advisory would provide potential business growth and economic benefits to the Group in the long-term and accordingly will improve the long-term prospects of the Group.

Accordingly, the Directors believe that the terms of the Advances are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COMPANY AND THE LENDERS

The Company is incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange. The Company operates the largest and most active maternity and child-focused community platforms in China by monthly active users, dedicated to connecting and serving young families.

Zhongming is a company established in the PRC and a subsidiary of the Company. It is principally engaged in the provision of advertising and Internet information services.

BabyTree Information is a company established in the PRC and a subsidiary of the Company. It is principally engaged in the provision of technology information services.

INFORMATION OF THE BORROWERS

BT Market and BT Advisory are companies established in the PRC that mainly focus on the provision of market research services relating to pregnancy and infants. BT Advisory was a customer of the Group's advertising business between January 2016 and February 2019. In addition, since December 2020 and during the ordinary and usual course of business of the Group, BT Market and BT Advisory have also provided consultancy, technical development and market development services to the Group.

In 2021, BT Market and BT Advisory had provided certain consulting and technology development services to the Group in the amount of approximately RMB13.4 million and RMB13.7 million, respectively. Such amount was accounted for as an “amount due” in the Company’s audited consolidated financial statements for the year ended December 31, 2021 for the convenience of bookkeeping. The Company usually credits all transfers to the accounts of other receivables, and then adjusts them to expenses according to the actual bills received, resulting in movements in the balance of other receivables in the Company’s ledger books during the year ended December 31, 2021. Since the adjustments would be completed prior to the end of the relevant financial year, such accounting method would not affect the figures as at the end of the relevant financial year.

As at the date of this announcement, (i) BT Advisory is a wholly-owned subsidiary of BT Market; and (ii) to the best of our Directors’ knowledge after due and careful enquiry, BT Market is ultimately owned as to (a) 28.25% by Mr. WANG Huainan, the chairman, a non-executive Director and a substantial Shareholder; (b) 26.39% by Fosun International Limited (a company listed on the Stock Exchange, stock code: 0656), a substantial Shareholder; (c) 10.45% by Xinxin Xiangrong Education Technology (Beijing) Co., Ltd.* (欣欣相融教育科技有限公司), which is controlled by Zhang Bangxin (張邦鑫), an Independent Third Party; (d) 6.40% by Mr. XU Chong, an executive Director; and (e) 28.51% by other Independent Third Parties, among which, no shareholder was interested in more than 10% of the issued share capital of BT Market.

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As one or more of the applicable percentage ratio (as defined under the Listing Rules) in respect of the advances made under (i) the First Agreements and the Second BT Advisory Agreement (on an aggregate basis); and (ii) the Agreements (on an aggregate basis), exceeded 5% but was lower than 25%, such advances to the Borrowers constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Further, the provision of Advances to the Borrowers, on a standalone basis and an aggregate basis, constituted advances to an entity under Rule 13.13 of the Listing Rules.

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The Company should have complied with the general disclosure obligations under Rules 13.13 and 13.15 and the relevant notification and announcement requirements under Chapter 14 of the Listing Rules in respect of the Advances as and when such obligations arose. Regrettably, the Board had overlooked the requirements to comply with the requirements under Rules 13.13 and 13.15 and Chapter 14 of the Listing Rules.

REMEDIAL MEASURES

Since June 30, 2022 and up to the date of this announcement, the assets ratio for the amount due for the Borrowers had no longer exceeded 8% based on the total assets of the Company as at June 30, 2022.

The Board recognizes, for the avoidance of future occurrence of non-compliance of the Listing Rules, the need to enhance its internal control and compliance measures. To prevent similar non-compliance from occurring, the management of the Company undertakes to take steps to strengthen the internal controls over the procedures for all transactions under Chapters 13 and 14 of the Listing Rules. In particular, the Company will assign an executive Director and a senior management member to cross-check and notify the Board before making payment of any relevant advance to an entity (as defined under the Listing Rules) to ensure compliance with the relevant Listing Rules in the future.

DEFINITIONS

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

“Advances”	the outstanding balance of amount due of the Borrowers as a result of certain advances made from the Group to the Borrowers pursuant to the Agreements and as agreed to be made by the Group prior to the Company’s listing on the Stock Exchange
“Agreements”	collectively, the First Agreements and the Second Agreements
“BabyTree Information”	BabyTree (Beijing) Information and Technology Co., Ltd.* (寶寶樹(北京)信息技術有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Borrowers”	the borrowers of the Agreements, namely BT Advisory and BT Market
“BT Advisory”	Babytree (Beijing) Advisory Co., Ltd.* (寶寶樹(北京)諮詢有限公司), a company established in the PRC

“BT Market”	Beijing Babytree Market Consulting Co., Ltd.* (北京寶寶樹市場顧問有限公司), a company established in the PRC
“Company”	BabyTree Group, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“First Agreements”	collectively, the First BT Advisory Agreement and the First BT Market Agreement
“First BT Advisory Agreement”	the business project loan development agreement dated December 27, 2019 entered into between Zhongming, BabyTree Information and BT Advisory
“First BT Market Agreement”	the business project loan development agreement dated December 27, 2019 entered into between Zhongming, BabyTree Information and BT Market
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Lenders”	the lenders of the Agreements, namely BabyTree Information and Zhongming
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Agreements”	collectively, the Second BT Advisory Agreement and the Second BT Market Agreement
“Second BT Advisory Agreement”	the business project loan development agreement dated April 23, 2021 entered into between Zhongming, BabyTree Information and BT Advisory

“Second BT Market Agreement”	the business project loan development agreement dated April 28, 2021 entered into between Zhongming, BabyTree Information and BT Market
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongming”	Beijing Zhongming Century Science and Technology Co., Ltd.* (北京眾鳴世紀科技有限公司)

By Order of the Board
BabyTree Group
寶寶樹集團
GAO Min
WANG Huainan
Co-Chairmen

Hong Kong, September 19, 2022

As at the date of this announcement, the Board comprises Mr. GAO Min and Mr. XU Chong as executive Directors; Mr. WANG Huainan, Mr. QIAN Shunjiang, Mr. CHEN Bing, Mr. CHEN Weijun, Mr. WU Ying and Mr. Christian Franz REITERMANN as non-executive Directors; and Mr. CHEN Guanglei, Mr. De-chao Michael YU, Mr. SHIAH Hung-Yu and Ms. Jin SU as independent non-executive Directors.

* *For identification purposes only*