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愛 帝 宮 母 嬰 健 康 股 份 有 限 公 司
AIDIGONG MATERNAL & CHILD HEALTH LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 286)

PROFIT WARNING

This announcement is made by Aidigong Maternal & Child Health Limited (the “**Company**”, and together with its subsidiaries, collectively as the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform shareholders and potential investors that the Group expects to record a net loss of not less than approximately HK\$360 million and not more than approximately HK\$410 million for the year ended 31 December 2020 (“**FY2020**”) as compared to a net profit of HK\$17 million for the same period in 2019. The net loss is anticipated to be primarily due to the continued impact of the COVID-19 pandemic in FY2020 leading to a decrease in revenue of the medical anti-aging business and investment in associates in the health industry segment, which significantly impaired the relevant goodwill, intangible assets and investment in associates.

FAR-REACHING IMPACT OF COVID-19 PANDEMIC

Since the outbreak of COVID-19 in late 2019, various countries have implemented strict border access restrictions and quarantine measures to contain the spread of COVID-19. These extreme and unprecedented measures have reduced the Group's revenue and operating profit in the health industry segment. While the negative impact from the pandemic has eased slightly, and the governments of various countries have gradually lifted the lockdown measures, the actual impact of COVID-19 pandemic on the economy and business outlook is to a certain extent unforeseeable, and hence the management of the Company anticipates a longer recovery period for consumer confidence and for consumption level to pick up. In response to such challenging environment, the management has implemented a series of operating cost and capital expenditure control measures in order to lower the breakeven point of operations, and preserve liquidity to weather the current economic crisis. At the same time, the management of the Group does not preclude the possibility to realise non-core businesses and to focus on the development of the core postpartum care service business, which is expected to enhance the Company's anti-risk capability and the stability of future performance growth.

NON-CORE BUSINESS – IMPAIRMENT OF GOODWILL, INTANGIBLE ASSETS, FINANCIAL ASSETS AND INVESTMENT IN ASSOCIATES

Health industry segment of the Group includes medical anti-aging business, healthcare industry investments (Luofu Mountain Property Project), investment in associates and other equity investments (Dragon Pride group). Intangible assets and goodwill of the Group that are subject to impairment due to the impact of the COVID-19 pandemic are under the medical anti-aging business in the health industry segment. The affected associate companies include Guangdong Fengshuo Bio Medical Tech Company Limited* (廣東豐碩生物醫藥科技有限公司) (“**Fengshuo Bio Medical Tech Group**”) and Shenzhen Wanqi Marine Bio Tech Company Limited* (深圳市萬騏海洋生物科技有限公司) (“**Wanqi Marine Bio**”). Fengshuo Bio Medical Tech Group is mainly engaged in the research of commercial application and production in the field of chrysanthemum dioscorea and saponin. Wanqi Marine Bio is mainly engaged in seahorse health product breeding for food and medical use. As recorded in the Group's unaudited interim results as at 30 June 2020, the book values of the respective affected intangible assets, goodwill and investment in associates in the health industry were approximately HK\$89.9 million, HK\$229 million and HK\$189.8 million, respectively.

Taking into account the combined effect of the COVID-19 pandemic and the slower than expected recovery from current market conditions as described above, and a preliminary impairment testing of the assets as at 31 December 2020, the management of the Company considers the recoverable amount of goodwill, intangible assets, financial assets and investment in associates is likely to be less than their carrying value. The Company preliminarily expects to record a total impairment charge of not less than approximately HK\$370 million. As at the date of this announcement, the exact amount of such impairment charge is still subject to review and finalisation.

CORE BUSINESS – SOLID FINANCIAL POSITION AND STRONG CASH FLOW

The Group would like to emphasise that the expected impairment charge against goodwill, intangible assets, financial assets and investment in associates is a non-cash and one-off item and it is not expected to have a significant impact on the Group's cash flows, operations and liquidity. For instance, the COVID-19 pandemic did not have a major impact on the Group's core postpartum care service business, which recorded relatively stable revenue and profits for FY2020, the Group's cash flow remained strong. Based on the stability of the revenue from the postpartum care service business and its strong cash flow in FY2020, the Board believes that the said impairment charge against goodwill, intangible assets, financial assets and investment in health industry associates does not significantly and adversely affect the Company's ability to pay dividends in future, as and when appropriate, in accordance with its dividend policy.

The information contained in this announcement is solely based on a preliminary assessment by the management of the Company with reference to the information currently available to the Company and based on the unaudited consolidated management accounts of the Group for FY2020, which is yet to be finalised and has not yet been reviewed by the Company's auditors or the audit committee of the Company.

The unaudited annual results announcement of the Company for the year ended 31 December 2020 is expected to be published by the end of this month.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Aidigong Maternal & Child Health Limited
Zhu Yufei and Cheung Wai Kuen
Joint Chairmen

Hong Kong, 5 March 2021

As at the date of this announcement, the Board comprises Ms. Zhu Yufei, Mr. Cheung Wai Kuen, Mr. Lin Jiang and Mr. Li Runping as executive Directors; Mr. Wong Kin Man and Mr. Yang Zhibo as non-executive Directors; and Mr. Mai Yang Guang, Mr. Lam Chi Wing and Mr. Wong Yiu Kit, Ernest as independent non-executive Directors.

* *For identification purposes only*