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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINAL RESULTS HIGHLIGHTS:

- Revenue declined by approximately 1.5% to approximately HK$601.2 million for the year ended 31 December 2020 as compared to approximately HK$610.6 million for the year ended 31 December 2019.

- Loss for the year ended 31 December 2020 amounted to approximately HK$382.6 million. The net loss is primarily due to the continued impact of the COVID-19 pandemic in 2020 leading to a decrease in revenue of the medical anti-aging business and interests in associates in the health industry segment, which significantly impaired the relevant goodwill, intangible assets and interests in associates.

The board (the "**Board**") of directors (the "**Directors**") of Aidigong Maternal & Child Health Limited (the "**Company**") announces the consolidated financial information of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2020 (the "**Year**"), together with relevant comparative figures for the same period, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Revenue	*3*	**601,211**	610,612
Cost of sales		**(355,084)**	(419,031)
Gross profit		**246,127**	191,581
Other income	*5*	**23,368**	10,219
Administrative expenses		**(82,350)**	(89,081)
Selling and distribution expenses		**(88,527)**	(37,906)
Share of result of associates		**4,311**	8,351
Profit from operations		**102,929**	83,164
Impairment loss recognised in respect of goodwill		**(229,010)**	–
Impairment loss recognised in respect of intangible assets		**(65,728)**	–
Impairment loss recognised in respect of right-of-use assets and property, plant and equipment		**(12,323)**	–
Impairment loss recognised in respect of interest in associates		**(87,105)**	(13,034)
Loss on fair value change of contingent consideration payable		**(13,818)**	(5,821)
Gain on disposal of an associate		**–**	16,625
Gain on disposal of subsidiaries		**5,896**	–
Finance cost	*6*	**(64,721)**	(44,808)
(Loss)/profit before income tax	*7*	**(363,880)**	36,126
Income tax expense	*8*	**(18,762)**	(19,039)
(Loss)/profit for the year		**(382,642)**	17,087

	Note	2020 HK$'000	2019 HK$'000
Other comprehensive income/(expense), net of income tax			
Items that may be reclassified subsequent to profit or loss			
Share of other comprehensive income/(expense) of associates		**3,455**	(985)
Exchange differences on translating foreign operations		**65,014**	(26,338)
Release of exchange reserve upon disposal of subsidiaries		**(85)**	–
Items that will not be reclassified to profit or loss			
Change in value of equity investments at fair value through other comprehensive income		**(4,011)**	24,352
Other comprehensive income/(expense) for the year, net of income tax		**64,373**	(2,971)
Total comprehensive (expense)/income for the year		**(318,269)**	14,116
(Loss)/profit for the year attributable to:			
Owners of the Company		**(381,352)**	11,237
Non-controlling interests		**(1,290)**	5,850
		(382,642)	17,087
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(327,576)**	7,815
Non-controlling interests		**9,307**	6,301
		(318,269)	14,116
(Loss)/earnings per share for the year attributable to the owners of the Company:			
Basic and diluted *(HK cents per share)*	*10*	**(9.96)**	0.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	**2020**	2019
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**167,811**	211,125
Right-of-use assets		**353,651**	331,780
Intangible assets		**808,632**	822,952
Goodwill		**426,466**	627,529
Interests in associates		**112,222**	191,561
Equity investments at fair value through other comprehensive income		**20,489**	24,500
Deposits, prepayments and other receivables		**–**	43,159
Deferred tax assets		**8,988**	6,517
		1,898,259	2,259,123
Current assets			
Deposits, prepayments and other receivables		**373,840**	254,057
Trade receivables	*11*	**10,290**	34,987
Inventories		**50,759**	35,918
Loan to a shareholder		**30,830**	45,443
Properties under development		**371,052**	246,106
Short-term loans receivable		**28,782**	34,733
Financial assets at fair value through profit or loss		**24,020**	146,164
Bank and cash balances		**81,530**	80,098
		971,103	877,506

	Note	2020	2019
		HK$'000	*HK$'000*
Current liabilities			
Trade payables	*12*	**11,581**	21,419
Accruals and other payables		**118,134**	119,993
Contract liabilities		**169,990**	225,934
Lease liabilities		**53,942**	77,012
Contingent consideration payable		**129,393**	208,613
Bank and other borrowings		**60,856**	106,727
Bonds payable		**65,079**	32,616
Tax payable		**28,402**	24,596
		637,377	816,910
Net current assets		**333,726**	60,596
Total assets less current liabilities		**2,231,985**	2,319,719
Capital and reserves			
Share capital		**38,309**	38,309
Reserves		**734,459**	1,065,100
Equity attributable to owners of the Company		**772,768**	1,103,409
Non-controlling interests		**221,366**	203,398
Total equity		**994,134**	1,306,807
Non-current liabilities			
Contingent consideration payable		**–**	117,203
Deferred tax liabilities		**167,436**	167,572
Bank borrowings		**695,748**	374,738
Lease liabilities		**322,892**	264,478
Bonds payable		**51,775**	88,921
		1,237,851	1,012,912
		2,231,985	2,319,719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

[1] *Effective for annual periods beginning on or after 1 January 2023.*

[2] *Effective for annual periods beginning on or after 1 January 2022.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

[4] *Effective for annual periods beginning on or after 1 June 2020.*

[5] *Effective for annual periods beginning on or after 1 January 2021.*

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance.

The consolidation financial statements are presented in Hong Kong ("HK$") which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instrument that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. REVENUE

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers:		
Disaggregated by major products or service lines		
Provision of postpartum care services	**578,402**	232,828
Health industry		
– Sales of natural health food	**–**	284,381
– Provision of medical anti-aging healthcare services	**15,177**	82,437
– Sales of pharmaceutical products and others	**32**	3,687
	593,611	603,333
Timing of revenue recognition		
At a point in time	**32**	285,336
Over-time	**593,579**	317,997
	593,611	603,333
Revenue from other sources:		
– Interest income from loans receivable	**7,600**	7,279
	601,211	610,612

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed.

4. OPERATING SEGMENTS

For the purposes of resource allocation and assessment of segment performance, information reported to the Executive Directors of the Company, being the chief operating decision makers (the "CODM"), focus on types of goods or services delivered or provided.

Particulars of the Group's reportable operating segments are summarised as follows:

Postpartum care services	–	provision of maternal and child healthcare services in the PRC
Health industry	–	including natural health food trading in the PRC, medical anti-aging and healthcare industry investments (including the Health Preservation Residential Project in Luofu Mountain)

"Other" segment primarily comprises investment and finance business and others operations that do not meet the quantitative thresholds. Information regarding the above segments is reported below.

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group during the Year (2019: one) as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A[1]	**N/A[2]**	78,358

[1] *Revenue from sales of natural health food business*

[2] *The corresponding revenue did not contribute over 10% of the total revenue of the Group.*

Operating segment information is presented below:

Segment revenues and results

			Health Industry									
	Postpartum Care Services		Natural Health Food		Medical Anti-aging and Healthcare Industry Investment		Sub-total		Others		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue												
Revenue from external customers	**578,402**	232,828	**–**	284,381	**15,209**	86,124	**15,209**	370,505	**7,600**	7,279	**601,211**	610,612
Results												
Segment results for reportable segment	**92,960**	38,980	**1**	2,466	**(394,254)**	49,530	**(394,253)**	51,996	**(54,516)**	(49,530)	**(355,809)**	41,446
Unallocated expenses, net*											**(26,833)**	(24,359)
(Loss)/profit for the year											**(382,642)**	17,087

* *Unallocated expenses mainly include certain depreciation on property, plant and equipment, general office expenses, unallocated employee benefit expenses and fair value change of contingent consideration payable.*

Segment asset and liabilities

			Health Industry									
	Postpartum Care Services		Natural Health Food		Medical Anti-aging and Healthcare industry invetsments		Sub-total		Others		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets												
Segment assets for reportable segments	**1,761,677**	1,763,538	**90,264**	170,294	**941,930**	1,107,873	**1,032,194**	1,278,167	**59,612**	78,101	**2,853,483**	3,119,806
Unallocated assets											**15,879**	16,823
Total assets											**2,869,362**	3,136,629
Liabilities												
Segment liabilities for reportable segments	**920,331**	932,547	**30,918**	108,965	**462,692**	164,748	**493,610**	273,713	**140,545**	109,736	**1,554,486**	1,315,996
Unallocated liabilities											**320,742**	513,826
Total liabilities											**1,875,228**	1,829,822

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales during both years.

Segment results represent the profit earned/(the loss incurred) by each segment without allocation of corporate expenses.

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments other than unallocated corporate assets which mainly include certain property, plant and equipment, prepayments and deposits and corporate bank balances.

All liabilities are allocated to reportable segments other than unallocated corporate liabilities which mainly include certain accruals, other payables, deferred tax liabilities and contingent consideration payable.

Geographical information

In determining the Group's geographical information, revenue information is based on the location of the customers, and asset information is based on the location of the assets.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		**Non-current assets***	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China (the "**PRC**")	**582,498**	535,458	**1,724,493**	1,692,454
Hong Kong	**18,713**	75,154	**32,067**	344,091

* *Non-current assets excluded those relating to interests in associates, equity investments at fair value through other comprehensive income and deferred tax assets.*

Other segment information

	Postpartum Care Services		Health Industry		Others		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**42,592**	15,656	**4,995**	6,640	**1,657**	2,451	**49,244**	24,747
Depreciation of right-of-use assets	**80,406**	20,355	**7,265**	8,347	**3,113**	1,129	**90,784**	29,831
Share of result of associates	**490**	212	**3,821**	8,139	**–**	–	**4,311**	8,351
Impairment loss recognised in respect of interest in associates	**–**	–	**87,105**	13,034	**–**	–	**87,105**	13,034
Loss on fair value change of contingent consideration payable	**13,818**	–	**–**	–	**–**	–	**13,818**	–
Impairment loss recognised in respect of right-of-use assets and property, plant and equipment	**–**	–	**12,323**	–	**–**	–	**12,323**	–
Impairment loss recognised in respect of goodwill	**–**	–	**229,010**	–	**–**	–	**229,010**	–
Impairment loss recognised in respect of intangible assets	**–**	–	**65,728**	–	**–**	–	**65,728**	–
Allowance for/(reversal of) expected credit losses, net								
– trade receivables	**–**	–	**665**	975	**–**	46	**665**	1,021
– other receivables	**–**	–	**(2,241)**	6,021	**–**	–	**(2,241)**	6,021
– loan to a shareholder	**–**	–	**–**	–	**(23)**	27	**(23)**	27
– short-term loans receivable	**–**	–	**–**	–	**666**	336	**666**	336
Interests in associates	**1,720**	1,134	**110,502**	190,427	**–**	–	**112,222**	191,561
Capital expenditures*	**104,598**	10,186	**12**	17,551	**–**	1,207	**104,610**	28,944
Written off of property, plant and equipment	**–**	1,450	**–**	–	**–**	–	**–**	1,450
Finance cost	**15,546**	4,184	**28,360**	4,467	**20,815**	36,157	**64,721**	44,808
Addition of goodwill	**–**	398,903	**–**	–	**–**	–	**–**	398,903

* *Capital expenditure consists of addition to property, plant and equipment and right-of-use assets.*

5. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**246**	59
Gain on fair value change of financial assets at FVTPL	**76**	631
Interest income from financial assets at FVTPL	**4,861**	3,199
Dividend income from unlisted investments	**377**	854
Rental income	**12,481**	3,423
Management fee income	**734**	292
Government grants *(note)*	**4,140**	1,011
Others	**453**	750
	23,368	10,219

Note: Government grants were mainly granted to the Group as (i) subsidies to support the operation of the PRC subsidiaries, and (ii) COVID-19 related subsidies which is related to Employment Support Scheme provided by the Hong Kong government. The government grants had no conditions or contingencies attracted to them and they were non-recurring in nature.

6. FINANCE COST

	2020	2019
	HK$'000	*HK$'000*
Interest on bonds payable	**14,501**	28,144
Interest on bank and other borrowings	**47,478**	11,651
Interest expense on lease liabilities	**15,391**	5,013
	77,370	44,808
Less: Capitalised in properties under development	**(12,649)**	–
	64,721	44,808

Note: Borrowing costs capitalised during the year arose on the specific loan and are capitalised by applying a capitalisation rate of 6.8% per annum to expenditure on the properties under development.

7. (LOSS)/PROFIT BEFORE INCOME TAX

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit for the year has been arrived at after charging/ (crediting):		
Total staff costs including remuneration of directors'		
Salaries and other benefits	**187,112**	75,332
Retirement benefit scheme contributions	**5,470**	3,111
	192,582	78,443
Auditors' remuneration for audit services	**2,000**	1,800
Auditors' remuneration for non-audit services	**–**	1,680
Written-off of property, plant and equipment	**–**	1,450
Cost of inventories recognised as expenses	**–**	307,595
Exchange loss, net	**11**	137
Impairment loss recognised in respect of interest in associates	**87,105**	13,034
Impairment loss recognised in respect of goodwill	**229,010**	–
Impairment loss recognised in respect of intangible assets	**65,728**	–
Impairment loss recognised in respect of right-of-use assets and property, plant and equipment	**12,323**	–
Allowance for/(reversal of) expected credit losses, net		
– trade receivables	**665**	1,021
– other receivables	**(2,241)**	6,021
– loan to a shareholder	**(23)**	27
– short-term loans receivable	**666**	336
Loss on fair value change of contingent consideration payable	**13,818**	5,821
Gain on fair value change of financial assets at FVTPL	**(76)**	(631)
Depreciation of property, plant and equipment	**49,244**	24,747
Depreciation of right-of-use assets	**90,784**	29,831
Payments to short-term leases	**2,402**	1,916

8. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Income tax expense comprises:		
Current tax – Hong Kong Profits tax		
Charge for the year	**–**	4,023
Over provision in prior year	**–**	(4,025)
Current tax – PRC Enterprise income tax		
Charge for the year	**31,303**	19,268
Under provision in prior year	**–**	1,861
Deferred tax	**(12,541)**	(2,088)
	18,762	19,039

(A) Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Accordingly, starting from the year ended 31 December 2018, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

(B) PRC enterprise income tax

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(C) Cayman Islands and British Virgin Islands corporate income tax

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Company and the Company's subsidiaries registered in the BVI are not subject to any income tax in the Cayman Islands and BVI, respectively.

9. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the year		
2019 Annual – HK$0.067 cents	**2,567**	–

The Board does not recommend the payment of dividend for the year.

On 15 May 2020, the Board recommended the payment of final dividends of approximately HK$0.067 cents per ordinary share, amounting to HK$2,567,000).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	2020	2019
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	**(381,352)**	11,237
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**3,830,261**	3,209,882

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the years ended 31 December 2020 and 2019 as there were no potential dilutive ordinary shares in issue.

11. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**12,013**	36,045
Less: Allowance for expected credit losses	**(1,723)**	(1,058)
	10,290	34,987

The Group generally allows an average credit period ranging from 30 to 90 days (2019: 30 to 90 days) to its trade customers. The following is an aged analysis of trade receivables (net of allowance for expected credit losses), at the end of the reporting period:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**–**	14,403
31 to 60 days	**–**	19,084
61 to 90 days	**–**	1,500
Over 90 days	**10,290**	–
	10,290	34,987

Allowance for expected credit losses of approximately HK$1,723,000 have been recognised for trade receivables as at 31 December 2020 (2019: HK$1,058,000).

12. TRADE PAYABLES

The following is an aged analysis of trade payables, based on the invoice date:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**8,076**	17,135
31 to 60 days	**3,459**	3,560
181 to 365 days	**46**	724
	11,581	21,419

The average credit period granted by suppliers ranges from 0 to 30 days.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

INDUSTRY REVIEW

In 2020, the COVID-19 had ravaged the world and retarded global economic growth. The businesses of most industries were suspended due to the epidemic. As the service targets of this industry are postpartum mothers and newborn babies, the demand for postpartum care services are seen as necessity for some. Our operational results have fully reflected this unique characteristic of rigid demand. During the epidemic period, the demand for services remained strong and was able to maintain its normal overall operation, and it became one of the few industries operating normally despite facing the epidemic. However, despite its strong industry demand, the situation also impacted the postpartum care centres in the PRC in different degrees in general due to the epidemic prevention requirements during the epidemic period. With the gradual mitigation of the impacts of the epidemic in the second half year, this industry also gradually resumed its normal state. However, there were a large number of postpartum care centres in the PRC providing different quality services. The survival of the fittest continues to navigate while the industry is developing rapidly and industry concentration continues to increase.

BUSINESS REVIEW

Postpartum care service business

During the epidemic period in 2020, apart from certain potential high-risk customers that we had rejected due to the epidemic prevention requirements, and some customers from Hong Kong who had reserved our services but were unable to come to Shenzhen due to customs quarantine requirements, our postpartum care service business maintained normal operation. Meanwhile, the postpartum care centres under the "Aidigong" brand received high recognition from mothers due to its implementation of high-standard infection prevention and control programmes since the opening of its founding centre, as well as its resolute and efficient implementation of high-standard epidemic prevention measures, giving mothers and their families the comfort that it is safer to stay at "Aidigong" postpartum care centres than staying at home during the epidemic period. They regard "Aidigong" as their safe haven during the epidemic period and some residents have also raised requests to extend their stays.

During the Year, the turnover of the postpartum care service business fell back by 12.2% year-on-year to approximately HK$578 million. Net profit increased by 3.4% year-on-year to approximately HK$108 million. The fall back in turnover was due to the high base of turnover as a result of surging orders in 2019. To ensure customer satisfaction, the Company adopted more stringent management and control measures on orders and controlled the stays in 2020 to ensure superior customer experience. The frequent surging orders also resulted in additional expenses in 2019. Meanwhile, a relatively stable level of stays also facilitated the Company to further enhance delicate management to improve benefits and maintain stable profits, and therefore to maintain stable profit.

During the Year, its business performance was as follows:

	For the year ended 31 December 2020 *HK$'000*	For the year ended 31 December 2019 *HK$'000*
Turnover	**578,402**	658,483
Gross profit	**220,297**	288,519
Administrative expenses	**32,991**	46,074
Selling and distribution expenses	**84,788**	112,892
Profit for the year	**108,492**	104,952

During the pandemic, although many service industries are closed for business, owing to the rigid demand nature of the postpartum care service industry, all postpartum care centres of Shenzhen Aidigong have strictly implemented the preventive measures promulgated by respective state departments and they have been in normal operation.

The "Aidigong" postpartum care centre is a directly-operating postpartum care centre positioned at high-end market. It offers many-to-one professional care system providing services by expert teams. The postpartum care services provided by "Aidigong" postpartum care centres include five major service segments. One of them is the basic maternal and infant nursing service during the postpartum care period, which includes 24-hour maternal and infant care by dedicated nurses, and provides personalized meals for mothers customized by nutritionists, dedicated nurse to provide babies with early education such as swimming touch, auditory and visual development, and to teach scientific professional parenting knowledge to mothers. The other four major business segments include postpartum rehabilitation, yoga shaping, breast management and baby photography. The postpartum rehabilitation segment helps mothers to recover fully through rehabilitation programmes. The yoga shaping segment is taught by yogis teaching mothers to reshape themselves quickly and safely through yoga exercises. The breast management segment is to help mothers solving their breastfeeding problems by breastfeeders. The baby photography segment includes taking pictures and photography of babies.

After 14 years of development, Aidigong has served more than 20,000 mothers and received high recognition. It has developed the "Maternal and Infant Nursing System", the core competitiveness of Aidigong, including 9 major service systems and 1,300 maternal and child health care operation points. Through this system, the efficiency of operation and management and service quality of postpartum care centres can be effectively improved, which will greatly help the Company's further rapid replication and expansion across the country.

Postpartum care centres	**As at 31 December 2020** *Rooms*
Xiangmihu, Shenzhen	**112**
Silver Lake, Shenzhen	**48**
Nanshan, Shenzhen	**149**
Beijing	**54**
Chengdu	**72**
Total	**435**

As at 31 December 2020, Shenzhen Aidigong Maternity Health Management Co., Ltd. ("**Shenzhen Aidigong**") and its subsidiaries (collectively "**Shenzhen Aidigong Group**") had bank and cash balances of approximately HK$79,737,000 (2019: HK$53,818,000).

The postpartum care services contributed very strong performance in sales and profit growth to the Group as well as plenty of continuous cash flow. In the future, the Group will focus on the development of postpartum care service business.

Health Industry

Medical Anti-aging and Healthcare Industry Investments

Yuquan Luofu (禦泉羅浮), the Health Preservation Residential Project of the Group in Luofu Mountain in which the Group held 51% equity interests, is a rare residential project at the foot of Luofu Mountain, a 5A-class scenic spot in the Greater Bay Area. Located at the Luofu Mountain, with a natural forest oxygen chamber, it becomes an ideal location for healthcare and living and has access to high-speed railways, urban railways and expressways. The target customer groups of the project are mainly consumer groups from four cities, namely Shenzhen, Guangzhou, Dongguan and Huizhou, and it will become a beautiful stop in the one-hour healthcare circle in the Greater Bay Area. The project has obtained approximately 123 mu (畝) of residential land with a useful life of 70 years and a plot ratio of 2. For the project, the ancillary development of hot springs to households is under construction. It is expected that sales will commence in the second quarter of 2021, mainly consisting of saleable health preservation villas and health preservation bungalows. The expected selling prices of health preservation villas and health preservation bungalows will be around RMB20,000 to RMB25,000 per square metre and RMB13,000 to RMB15,000 per square metre, respectively. The Health Preservation Base Project in Luofu Mountain is expected to contribute considerable profits and cash flows to the Group.

Investment projects currently held by the Group includes Prance Dragon Medical Group, Guangdong Fengshuo Bio Medical Tech Company Limited ("**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**"). Prance Dragon Medical Group, which operates JP Partners Medical Group, is operating the chinese medical, western medical, dental clinics and endoscopy services in Hong Kong. There are 14 chinese medical clinics, 12 western medical clinics, 6 dentals clinics, 1 wholly-owned endoscopy centre and 3 co-joint endoscopy centres with Humansa and the team also provided outreach services for more than 70 elderly homes. The Fengshuo Bio Medical Tech Group is principally engaged in the research of the dioscorea composita root extract technology's commercial applications and production. The Wanqi Marine Bio, a national high-tech enterprise located in Shenzhen, is principally engaged in seahorse breeding, which is a health product for food and medical purposes.

The Group holds 22.72% and 49% equity interests in Guangdong Fengyuan Huake Bio Tech Company Limited ("**Guangdong Fengyuan**") through Fengshuo Bio Medical Tech Group and Wanqi Marine Bio respectively. The businesses of Guangdong Fengyuan and Wanqi Marine Bio were both affected by the epidemic. The Group needs to make provisions for impairment on such industrial investment projects. The Group does not rule out the possibility of realizing such non-core business assets to obtain additional capital to support the development of the postpartum care service business, in which it will strengthen the risk prevention capabilities and stable performance growth of the Group in the future. The Group holds 9.57% equity interests in Prance Dragon Medical Group as at 31 December 2020. It's performance is relatively stable during the Year.

During the Year, revenue from Medical Anti-aging and Healthcare Industry Investments amounted to approximately HK$15,209,000 (2019: HK$86,124,000), which represented a decrease of approximately HK$70,915,000 compared to 2019. The decrease was mainly due to the downturn of the performance of the medical beauty anti-aging group as a result of the impact of the COVID-19 on the service industry and other special circumstances such as customs quarantine requirements in Hong Kong.

FINANCIAL REVIEW

RESULTS FOR THE YEAR

Revenue of the Group for the Year amounted to HK$601,211,000 (2019: HK$610,612,000), which represented a year on year decrease of HK$9,401,000 or 1.5%. The decrease was mainly due to the net impact of the following items: (i) the revenue of postpartum care service business acquired by the Group in 2019 consolidated into the revenue of the Group for 2019 only after the completion of the acquisition, which contributed HK$578,402,000 (2019: HK$232,828,000) to the Group's revenue for the Year; (ii) decrease in revenue from medical anti-aging and healthcare industry investments from HK$86,124,000 in 2019 to HK$15,209,000 in 2020 due to the impact of COVID-19 epidemic; and (iii) scale reduction of the natural health food business, and there was no revenue from this business during the Year (2019: HK$284,381,000).

Gross profit of the Group for the Year amounted to HK$246,127,000 (2019: HK$191,581,000), representing an increase of HK$54,546,000 or 28.5% as compared to previous year. Gross profit margin for the Year was 40.9% (2019: 31.4%). The increase in the Group's gross profit and gross profit margin were mainly due to the increase in income generated from the postpartum care services which has a higher profit margin.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Year of the Group were approximately HK$82,350,000 (2019: HK$89,081,000), representing a decrease of approximately HK$6,731,000 or 7.6% as compared to last year. Such decrease was mainly due to the combined effects of (i) the decrease in commission expenses and related salary expenses of medical anti-aging business resulting from the outbreak of COVID-19; (ii) decrease in related expenses due to scale reduction of the natural health food business; and (iii) additional administrative expenses from the completion of the further acquisition of Shenzhen Aidigong Group and its postpartum care services at the end of 2019.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Year of the Group were approximately HK$88,527,000 (2019: HK$37,906,000), representing an increase of approximately HK$50,621,000 or 133.5% as compared to last year. Such increase was mainly due to the additional selling and distribution expenses from the completion of the further acquisition of Shenzhen Aidigong Group and its postpartum care services at the end of 2019 by the Group.

FINANCE COSTS

Finance costs for the Year of the Group were approximately HK$64,721,000 (2019: HK$44,808,000), representing an increase of approximately HK$19,913,000 or 44.4% as compared to last year. Such increase was mainly due to (i) the non-cash interest expenses on lease liabilities increasing to HK$15,391,000 (2019: HK$5,013,000); and (ii) the corresponding increase in interest resulted from the increase in bank borrowings.

(LOSS)/PROFIT BEFORE TAX

The acquisition of the postpartum care services segment by the Group completed at the end of last year contributed a segment profit before tax of approximately HK$118,545,000 (2019: HK$52,920,000) to the Group for the Year. However, the increase was offset by the followings: (i) the business of medical anti-aging and healthcare industry investment segment went down significantly due to the impact of COVID-19 epidemic, resulted a segment loss before tax of approximately HK$17,876,000 (2019: segment profit before tax of HK$34,708,000); (ii) increase of finance costs to HK$64,721,000 (2019: HK$44,808,000); (iii) the one-off gain on the disposal of an associate in 2019 of approximately HK$16,625,000 with no such gain in 2020; and (iv) increase in loss from the fair value change of contingent consideration payable to HK$13,818,000 in 2020 (2019: HK$5,821,000). With the additional impairment loss recognised by the Group in respect of interest in associates of HK$87,105,000 (2019: HK$13,034,000), impairment loss recognised in respect of right-of-use assets and property, plant and equipment of HK$12,323,000 (2019: Nil) and the impairment loss recognised in respect of goodwill and intangible assets of HK$294,738,000 (2019: Nil). Therefore, profit before tax for the Year decreased by HK$400,006,000, and decreased from the profit before income tax of HK$36,126,000 in 2019 to a loss before tax of HK$363,880,000 in 2020.

Loss attributable to the owners of the Company for the Year was approximately HK$381,352,000 (2019: profit of HK$11,237,000), representing an decrease of HK$392,589,000, as compared to that of 2020. This resulted in the decrease in basic and diluted earnings per share attributable to the owners of the Company of HK10.31 cents to a loss of HK9.96 cents respectively (2019: earnings of HK0.35 cents).

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the Year (2019: HK0.067 cents per share).

FUTURE PROSPECTS

In 2020, the COVID-19 brought challenges to the Group's development and its non-core businesses recorded losses. However, the profit from the postpartum care service business still remains stable, thus fully reflected the anti-cyclical ability of the postpartum care service business and further justified the Group's right choice to focus on the long-term development of the postpartum care service business. In August 2020, we completed the disposal of the medical anti-aging business in the PRC. For the non-core businesses under existing medical anti-aging business in Hong Kong which was significantly affected by the epidemic, the management has adopted various measures to control operating costs and capital expenses to lower the breakeven point and maintain liquidity in order to tide over the current economic crisis. Meanwhile, the management of the Group does not rule out the possibility of realizing such non-core business assets and move towards the final target of focusing on the operation of the postpartum care service business. Yuquan Luofu (禦泉羅浮), the Health Preservation Residential Project in Luofu Mountain, is expected to contribute considerable cash flows to the Group and provide more financial support for the Group to develop the postpartum care service business after commencement of sales.

The outbreak of the epidemic in 2020 brought both challenges and opportunities to the Group. Our team grew faster with increasingly improved response to changes after the epidemic. Not only the nursing management team of the postpartum care service business quickly formulated the epidemic prevention measures under medical standards on epidemic prevention, they also strictly implemented and followed the same and achieved zero infection, thereby creating a secured place for mothers, babies and family members during the postpartum care period. The marketing team of the postpartum care service business quickly opened online sales chains and developed new marketing models.

With the mitigation of the epidemic in the second half year of 2020, the direct impact on the postpartum care service business gradually reduced. The "Aidigong" brand signed contract on 7 December 2020 for the Hangzhou new centre, so as to complete the layout in the core cities in Southern China, Northern China, Western Chin and Eastern China to lay the foundation for further radiating the surrounding tier-1 and new tier-1 cities.

On 22 January 2021, the Group signed contract for the new Qiaochengfang Centre in Shenzhen under the brand name of "Aidigong". The new Qiaochengfang Centre in Shenzhen is the first apartment and hotel property adopted by "Aidigong" brand. As the supply of such properties is significantly higher than independent properties, it will further increase the speed of establishing new centres. The opening of postpartum care centres under the brand name of "Aidigong" with decorated apartment properties will largely shorten the establishment period for opening new centres. The establishment period will be reduced the one-third of the existing independent postpartum care centres and the capital investment will reduce to one-third of existing independent postpartum care centres. The period for investment returns under the asset-light model is expected to be shorter than independent postpartum care centres and the adoption of such asset-light model is a new milestone in the development history of Aidigong.

As the profit from the postpartum care service business is in contrarian growth, we firmly believe that the already recognized, high-quality, safe and professional postpartum care centres with brand influence will equip stronger risk prevention capabilities. The expansion of new centres is expected to accelerate gradually, and we will grab the increasing industry concentration opportunities by leveraging the advantages as a leading company to obtain market share further.

The next ten years will be the golden decade of the postpartum care service industry development. We will focus on postpartum care services, and accelerate the distribution of postpartum care centres nationwide so as to further expand the coverage of postpartum care service market across the country.

FINANCIAL HIGHLIGHTS

Net asset value

As at 31 December 2020, total net assets of the Group amounted to approximately HK$994,134,000 (2019: HK$1,306,807,000), representing a decrease of HK$312,673,000 as compared to 2019. The decrease was mainly attributable to the net impact of: (i) recognition of impairment loss of approximately HK$294,738,000 in respect of goodwill and intangible assets; (ii) recognition of impairment loss of approximately HK$87,105,000 in respect of interest in associates; and (iii) foreign exchange gain of HK$65,014,000 arising from translation of overseas operations.

As at 31 December 2020, net asset value per issued ordinary shares of the Company was HK$0.26 (2019: HK$0.34).

The current ratio (calculate as current assets to current liabilities) for the Year was 1.52 (2019: 1.07).

Equity

The number of issued ordinary shares of the Company as at 31 December 2020 was 3,830,915,008 (2019: 3,830,915,008).

Liquidity and financial resources

As at 31 December 2020, the Group has a principal amount of HK$125,500,000 (2019: HK$132,700,000) unsecured bonds payable, approximately HK$695,748,000 (2019: HK$459,753,000) secured and guaranteed bank loan, HK$2,285,000 (2019: HK$5,593,000) unsecured bank loan, Nil (2019: HK$1,119,000) guaranteed bank loan, HK$30,000,000 (2019: Nil) secured other borrowings and HK$28,571,000 (2019: HK$15,000,000) unsecured other borrowings.

Save as disclosed above, the Group did not have any other borrowing as at 31 December 2020.

The Group maintains sufficient working capital and cash position for daily operations. Bank and cash balances as at 31 December 2020 amounted to approximately HK$81,530,000 (31 December 2019: HK$80,098,000).

The Group has adopted a prudent financial management approach towards its treasury policies. The cash and bank balances were denominated in RMB, Hong Kong dollar and United State dollar and the bank borrowings facilities available to the Group were denominated in Renminbi and bear floating interest rates. The Group continued to have no foreign exchange contracts and investment in listed shares, bonds and debentures. As at 31 December 2020, the Group held structured bank deposits ("**SBDs**") at certain banks. Pursuant to the relevant underlying agreements, the SBDs generally carry income at a variable rate per annum with reference to the performance of foreign currency, commodity price, or assets during the investment period and the principal sums are denominated in RMB. Certain of the structured bank deposits are principal protected. The structured bank deposits are either redeemable on demand or have a maturity date ranged from three to seven months. The Group is not exposed to material fluctuations risks in exchange rates.

Pledge of assets

Reference is made to the Company's announcement dated 16 September 2019 regarding, among other things, the loan agreements entered into between Guangdong Common Splendor Health Industry Group Limited(廣東同佳健康產業集團有限公司)("**Guangdong CS**"), a wholly-owned subsidiary of the Company, as borrower, with Dongguan Rural Commercial Bank Co., Ltd. ("**DRC Bank**"), as lender, pursuant to which, DRC Bank, Donglian Branch agreed to make available to Guangdong CS the loan facilities of up to an aggregate principal amount of RMB340 million. Guangdong CS provided share pledge of up to RMB510 million over 88.5184% share interest in Shenzhen Aidigong. The Company provided guarantee and Mr. Cheung provided a personal guarantee to the loan facilities.

On 22 April 2019, the Group obtained a loan facility of RMB71 million from Bank of Dongguan Co., Ltd., and the loan was secured by, among other things, a parcel of land of the Group in Luofu Maintain, the PRC, with carrying amount of approximately HK$87.6 million as at 31 December 2019 and a personal guarantee by Mr. Cheung Wai Kuen, the executive Director and Joint Chairman. As the loan has been repaid during the Year, the land pledge related to the loan has been released.

During the Year, the Group obtained a property development loan facility of RMB300 million from Bank of Dongguan Rural Commercial Bank Co., Ltd. and the loan was secured by, among other things, a parcel of land of the Group in Luofu Maintain, the PRC, with carrying amount of approximately HK$93.8 million as at 31 December 2020, and a personal guarantee by Mr. Cheung.

The provision of such personal guarantees constitute financial assistance to the Group under Chapter 14A of the Listing Rules. Given that the personal guarantees are not secured by any assets of the Group, and that the Directors consider that the personal guarantees are conducted on normal commercial terms or better to the Group, the personal guarantees are fully-exempted from the shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Save as disclosed above, no asset was pledged by the Group as at 31 December 2020 and 31 December 2019.

Remuneration policies and share option scheme

It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions. During the Year, total staff costs excluding Directors' emolument was approximately HK$191,828,000 (2019: HK$72,365,000).

At the annual general meeting of the Company held on 11 October 2012, the shareholders of the Company approved the adoption of a share option scheme ("**2012 Share Option Scheme**"). The purpose of the 2012 Share Option Scheme is to provide incentives or rewards to Eligible Participants (as defined in the 2012 Share Option Scheme) of the 2012 Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The Eligible Participants include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any customer, supplier, service provider, shareholder, adviser or consultant and any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will remain in force for ten years from the commencement date. During the Year, no share option was granted pursuant to the 2012 Share Option Scheme. As at 31 December 2020, no share option was outstanding (31 December 2019: Nil).

The Board has approved the adoption of a share award scheme (the "**Scheme**") on 5 July 2018 and it was approved by the shareholders of the Company at the special general meeting held on 30 August 2018. The purposes and objectives of the Scheme are to recognise the contributions by certain employee, director, officer, consultant or adviser of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. During the Year, no share award was granted pursuant to the Scheme (31 December 2019: Nil).

Contingent liabilities

The Group did not have any material contingent liabilities for both years.

MATERIAL ACQUISITIONS AND DISPOSALS

Disposal of subsidiaries

Reference is made to the announcement of the Company dated 5 August 2020. During the Year, the Company has, through its wholly-owned subsidiary, namely Guangzhou Common Splendor Health Technology Limited*（廣州同佳醫療科技有限公司）, completed the disposals (the "**Disposals**") of its entire interests in each of (i) Guangzhou Ruiang Comprehensive Clinic Co., Ltd.*（廣州瑞昂綜合門診部有限公司）("**Guangzhou Ruiang Clinic**"); (ii) Huizhou Common Splendor Medical Technology Co., Ltd.*（惠州市同佳醫療科技有限公司）("**Huizhou CS Medical Tech**"); (iii) Shenzhen Common Splendor Clinic*（深圳同佳門診部）("**Shenzhen Clinic**"); and (iv) Guangzhou Common Splendor Cell Technology Co., Ltd*（廣州同佳細胞科技有限公司）("**Guangzhou CS Cell Tech**") ((i) to (iv), collectively, the "**Disposed Subsidiaries**"). After the completion of the Disposals, the Company ceased to hold any interest in the Disposed Subsidiaries, and accordingly, the financial results of the Disposed Subsidiaries will no longer be consolidated into the consolidated financial statements. Owing to the aforesaid disposals during the Year, the Group recorded a gain on disposal of subsidiaries of approximately HK$5.9 million.

Other Information

Impairment loss recognised in respect of goodwill, intangible assets and interests in associates

Due to the continued impact of the COVID-19 pandemic for the Year, leading to a decrease in revenue of the medical anti-aging business and interests in associates in the health industry segment, which significantly impaired the relevant goodwill, intangible assets and interests in associates, with impairment of interest in associates of approximately HK$87,105,000 (2019: approximately HK$13,034,000) and impairment of goodwill and intangible assets of approximately HK$294,738,000 (2019: Nil).

Intangible assets and goodwill 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 Fengshuo Bio Medical Tech Group and Shenzhen Wanqi Marine Bio. The impairment was based on value in use model that required management judgement with respect to the discount rate and the underlying cash flows, in particular, future revenue growth and capital expenditure. An independent external valuation report on the value in use of different cash generating units was obtained through qualified valuer to support the management's estimates.

Taking into account the combined effect of the COVID-19 pandemic and the slower than expected recovery from current market conditions, and the impairment testing of the assets as at 31 December 2020, the management of the Company believes that it needs to make impairment provision for goodwill, intangible assets and interests in associates. However, these impairments have fully reflected the impact of market conditions on the Group's assets, and the possibility of significant impairment in the future is remote.

Profit Guarantee in relation to the major acquisition of 88.5184% equity interest in Shenzhen Aidigong

On 12 March, 17 March and 21 March 2021, the Company announced that the net profit of Shenzhen Aidigong for the financial year ending 31 December 2020 amounted to RMB80,598,000 and the aggregate Net Profit for the three years ending 31 December 2020 amounted to RMB209,856,000 based on PRC GAAP, which was higher than the net profit target of RMB197,000,000 for the three years ending 31 December 2020. As disclosed in such announcements, the Group would pay the relevant installment in the maximum amount of RMB109,358,000 to the management vendors in proportion to their respective shareholdings. Further details of the issue and allotment of the relevant subscription shares of the Company thereunder will be further announced by the Company in due course.

Profit and technical guarantee of an associate

Reference is made to the announcements dated 23 November 2015, 28 March 2018. 6 September 2018, 30 November 2018, 19 December 2018, 1 November 2019 and 15 November 2019, the guarantee technical requirement of Guangdong Fengyuan has been achieved. However, the guarantee profit of RMB38 million for the year ended 31 December 2017 had not been met.

On 30 November 2018, among other parties, the Group and Guangdong Fengyuan Technology Innovation Bio Tech Company Limited*（廣東豐源科創生物科技有限公司）(the "**Vendor**"), Guangdong Fengyuan and Fengshuo Bio Medical Tech Company Limited entered into a supplemental agreement ("**Supplemental Agreement**"). According to the Supplemental Agreement, the Vendor has agreed to compensate the Group in the amount of RMB5.69 million. Under the Supplemental Agreement, the guarantee net profit of Guangdong Fengyuan for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 will not be less than RMB20 million, RMB20 million and RMB38 million respectively. Based on the audited financial statements of Guangdong Fengyuan for the year ended 31 December 2018, the net profits amounted to approximately RMB22.7 million. Accordingly, given the guarantee net profit for the year ended 31 December 2018 has been met, no equity interest in Guangdong Fengyuan held by the Vendor has to be transferred to the Group. Based on the audited financial statements of Guangdong Fengyuan for the year ended 31 December 2019, the Actual 2019 Net Profit amounted to approximately RMB21.9 million, which is higher than the 2019 Guarantee Net Profit of RMB20 million. Accordingly, given the 2019 Guarantee Net Profit has been met, no equity interest in Guangdong Fengyuan held by the Vendor has to be transferred to the Group due to any shortfall in the 2019 Guarantee Net Profit under the Supplemental Agreement. As at the date of this announcement, the Company understands that Guangdong Fengyuan has completed the audit of its financial results for the Year and the amount of its actual net profit for Year ("**Actual 2020 Net Profit**") was approximately RMB14.1 million, which was approximately RMB23.9 million below the 2020 Guarantee Net Profit. Accordingly, based on the Supplemental Agreement agreed between the parties, the Vendor shall transfer a percentage of the equity interest in Guangdong Fengyuan held by the Vendor to the Group at no further consideration based on the relevant formula. Despite of such, in light of current market conditions, the Company is in the progress of negotiating with the Vendor in reaching an alternative compensation proposal, which may or may not materialise, in relation to the shortfall in the 2020 Guarantee Net Profit. The Board expects that the parties will be able to reach an agreement in or around June 2021. The Company will publish a further announcement pursuant to Rule 14.36B of the Listing Rules to inform its shareholders and investors when an agreement is reached on the compensation proposal, and if not, the result of compensation based on the existing arrangement under the Supplemental Agreement.

Connected Transaction and Continuing Connected Transaction

As at the date of this announcement, the Company understands that, on 27 October 2020, the Company and Hongchang International Investment Limited ("**Zhu Associate**") entered into an incentive agreement, pursuant to which Zhu Associate will be entitled to incentive shares based on the aggregate net profit amount of a new postpartum care centre during the incentive base period. The maximum number of the incentive shares to be issued to Zhu Associate by the Company is 200,000,000 incentive shares, representing approximately (i) 5.22% of the issued share capital of the Company as at the date of the incentive agreement; and (ii) 4.96% of the Company's issued share capital as enlarged by the issue of the maximum number of the incentive shares. The incentive agreement was approved by the independent Shareholders at the special general meeting held on 28 December 2020.

On 5 October 2018, the Company, as lender, entered into a facility agreement and agreed to renew a loan agreement with Champion Dynasty, as borrower, and Mr. Cheung Wai Kuen, one of the Company's controlling shareholders, as individual guarantor, for a period of three years from 19 November 2018 to 18 November 2021 in relation to a three-year revolving loan facility of up to HK$200,000,000 to Champion Dynasty at an interest rate of 12% per annum (the "**Loan Transaction**"). The Loan Transaction was approved by the independent Shareholders at the special general meeting held on 19 November 2018. The loan is repayable on demand.

As at 31 December 2020, the outstanding balance of the loan to Champion Dynasty amounted to HK$30,830,000 (31 December 2019: HK$45,443,000).

EVENTS AFTER REPORTING PERIOD

The Board are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this announcement.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies. Substantial amounts of the Group's cash and cash equivalent are deposited in major financial institutions located in Mainland China. The Group seeks to maintain strict control over its outstanding receivables and the senior management of the Company reviews and assesses the creditworthiness of the Group's existing customers on an ongoing basis. To manage liquidity risk, the Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations. Cash and cash equivalents of the Group is mainly denominated in RMB.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code ("**CG Code**"), as set out in Appendix 14 of the Listing Rules throughout the Year. The Company had complied with the code provisions set out in the CG Code during the Year.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the organisation structure of the Company and following Ms. Zhu's appointment as an executive Director, on even date, she was also appointed as a joint chairman of the Board and the chief executive officer of the Company ("**CEO**"). With Ms. Zhu's extensive experience in the maternal and child healthcare industry, the Board considers that vesting the roles of chairman and CEO in the same person is beneficial to the business prospects and management of the Group. The check and balance of power and authority are ensured by the operation of the senior management and the Board, which comprises experienced and high calibre individuals. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorisations between the Board and the management of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Pursuant to the terms of the rules and trust deed of the Scheme, the trustee of the Company's Scheme purchased on the Stock Exchange a total of 1,100,000 shares of the Company at a total consideration of HK$497,500 to satisfy the award of shares to selected employees.

Save as disclosed above, during the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Year.

SCOPE OF WORK OF THE AUDITORS

The financial figures in this announcement of the Company's results for the year have been agreed by the auditors of the Company, HLB Hodgson Impey Cheng Limited (the "**Auditors**"). The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by the Auditors on this announcement.

REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") have reviewed and the Auditors has audited the consolidated financial statements of the Company (the "**Consolidated Financial Statements**") and the results for the Year. Based on this review and discussions with the management, the Audit Committee was satisfied that the Consolidated Financial Statements were prepared in accordance with applicable accounting standards and fairly present the financial position and results of the Group for the Year.

PUBLICATION OF 2020 ANNUAL REPORT

The Company's annual report for the Year containing relevant information required by Appendix 16 of the Listing Rules will be published on the websites of the Stock Exchange and the Company and will be despatched to the shareholders of the Company in due course.

APPRECIATION

We would like to take this opportunity to express our gratitude to the shareholders of the Company for their continued support, and to our fellow Directors and those who have worked for the Group for their valuable contribution.

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

Hong Kong, 30 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.