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)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the "**Board**") of directors (the "**Directors**") of Aidigong Maternal & Child Health Limited (the "**Company**") would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2021 (the "**Period**") together with the comparative figures for the corresponding period in 2020 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2021*

| | | **For six months ended 30 June** | |
|---|---|---|---|
| | | **2021** | 2020 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **324,058** | 324,342 |
| Cost of sales | | **(195,823)** | (185,232) |
| Gross Profit | | **128,235** | 139,110 |
| Other income | *5* | **8,296** | 5,842 |
| Administrative expenses | | **(28,462)** | (25,497) |
| Selling and distribution expenses | | **(62,894)** | (51,135) |
| Share of results of associates | | **(794)** | 651 |
| Profit from operations | | **44,381** | 68,971 |
| Gain on disposal of subsidiaries | | **16,374** | 7,423 |
| Gain on disposal of associate | | **10,900** | – |
| Finance cost | | **(32,900)** | (32,703) |

| | Notes | For six months ended 30 June 2021 (Unaudited) HK$'000 | 2020 (Unaudited) HK$'000 |
|---|---|---|---|
| Profit before income tax | | **38,755** | 43,691 |
| Income tax expense | *6* | **(11,694)** | (18,023) |
| **Profit for the period** | *7* | **27,061** | 25,668 |
| **Other comprehensive income, net of income tax** | | | |
| ***Item that may be reclassified subsequent to profit or loss*** | | | |
| Exchange differences on translating foreign operations arising during the period | | **17,104** | (15,103) |
| Release of exchange reserve upon disposal of subsidiaries | | **(85)** | – |
| **Total comprehensive income for the period** | | **44,080** | 10,565 |
| **Profit for the period attributable:** | | | |
| Owners of the Company | | **23,582** | 25,990 |
| Non-controlling interests | | **3,479** | (322) |
| | | **27,061** | 25,668 |
| **Total comprehensive income for the period attributable to:** | | | |
| Owners of the Company | | **34,519** | 14,855 |
| Non-controlling interests | | **9,561** | (4,290) |
| | | **44,080** | 10,565 |
| **Earnings per share for the period attributable to owners of the Company** | *9* | | |
| Basic and diluted (HK cents per share) | | **0.61** | 0.68 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2021*

| | Notes | **30 June 2021 (Unaudited) *HK$'000*** | 31 December 2020 (Audited) *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **137,139** | 167,811 |
| Right-of-use assets | | **304,055** | 353,651 |
| Intangible assets | | **787,982** | 808,632 |
| Goodwill | | **428,380** | 426,466 |
| Interests in associates | | **1,728** | 112,222 |
| Equity investments at fair value through other comprehensive income | | **20,489** | 20,489 |
| Deferred tax assets | | **9,470** | 8,988 |
| | | **1,689,243** | 1,898,259 |
| **Current assets** | | | |
| Deposits, prepayments and other receivables | *10* | **512,778** | 373,840 |
| Trade receivables | *11* | **3,510** | 10,290 |
| Inventories | | **2,965** | 50,759 |
| Loan to a shareholder | | **30,113** | 30,830 |
| Properties under development | | **422,949** | 371,052 |
| Short-term loans receivable | | **28,752** | 28,782 |
| Financial assets at fair value through profit or loss | | **60,201** | 24,020 |
| Bank and cash balances | | **126,990** | 81,530 |
| | | **1,188,258** | 971,103 |
| **Current liabilities** | | | |
| Trade payables | *12* | **29,520** | 11,581 |
| Accruals and other payables | *13* | **55,110** | 118,134 |
| Contract liabilities | *13* | **128,530** | 169,990 |
| Lease liabilities | | **77,681** | 53,942 |
| Contingent consideration payable | | **–** | 129,393 |
| Bank and other borrowings | | **79,180** | 60,856 |
| Bonds payable | | **41,004** | 65,079 |
| Tax payable | | **11,882** | 28,402 |
| | | **422,907** | 637,377 |

| | Notes | 30 June 2021 (Unaudited) HK$'000 | 31 December 2020 (Audited) HK$'000 |
|---|---|---|---|
| **Net current assets** | | **765,351** | 333,726 |
| **Total assets less current liabilities** | | **2,454,594** | 2,231,985 |
| **Capital and reserves** | | | |
| Share capital | | **42,850** | 38,309 |
| Reserves | | **1,063,052** | 734,459 |
| Equity attributable to owners of the Company | | **1,105,902** | 772,768 |
| Non-controlling interest | | **176,404** | 221,366 |
| **Total equity** | | **1,282,306** | 994,134 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **164,181** | 167,436 |
| Bank borrowings | | **695,170** | 695,748 |
| Lease liabilities | | **251,916** | 322,892 |
| Bonds payable | | **61,021** | 51,775 |
| | | **1,172,288** | 1,237,851 |
| | | **2,454,594** | 2,231,985 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than change in accounting policies resulting from application of new and amendments and interpretation to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

**Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

Except as described above, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial information.

***Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"***

*Accounting policies*

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

***Transition and summary of effects***

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for medium term notes and bank loans measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

## 3. REVENUE

| | For six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Revenue from contracts with customers: | | |
| Disaggregated by major products or service lines | | |
| Provision of postpartum care services | **314,856** | 313,395 |
| Health Industry | | |
| – Provision of medical anti-aging healthcare services | **5,348** | 6,561 |
| | **320,204** | 319,956 |
| Timing of revenue recognition: | | |
| At a point in time | **–** | 3,893 |
| Over-time | **320,204** | 316,063 |
| | **320,204** | 319,956 |
| Revenue from other sources: | | |
| Interest income from loans receivable | **3,854** | 4,386 |
| | **324,058** | 324,342 |

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 and pharmaceutical products trading in the PRC, medical anti-aging, healthcare industry investments and healthcare property development in the PRC |

"Others" 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.

Operating segment information is presented below:

**For the six months ended 30 June 2021**

**Segment revenue and results**

| | | **Health Industry** | | | | |
|---|---|---|---|---|---|---|
| | **Postpartum Care Services** *HK$'000* | **Natural Health Food** *HK$'000* | **Medical Anti-aging and Healthcare industry investments** *HK$'000* | **Sub-total** *HK$'000* | **Others** *HK$'000* | **Consolidated** *HK$'000* |
| **Revenue** | | | | | | |
| Revenue from external customers | **314,856** | **–** | **5,348** | **5,348** | **3,854** | **324,058** |
| **Results** | | | | | | |
| Segment results for reportable segment | **35,168** | **(9)** | **7,547** | **7,538** | **1,380** | **44,086** |
| Unallocated expenses, net* | | | | | | **(27,925)** |
| Gain on disposal of subsidiaries | | | | | | **10,900** |
| **Profit for the year** | | | | | | **27,061** |

* Unallocated expenses mainly include certain depreciation on property, plant and equipment, general office expenses and interest expenses.

**As at 30 June 2021**

**Segment asset and liabilities**

| | | Health Industry | | | | |
|---|---|---|---|---|---|---|
| | Postpartum Care Services | Natural Health Food | Medical Anti-aging and Healthcare industry investments | Sub-total | Others | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Assets** | | | | | | |
| Segment assets for reportable segments | **1,720,434** | **–** | **908,396** | **908,396** | **83,796** | **2,712,626** |
| Unallocated assets | | | | | | **164,875** |
| **Total assets** | | | | | | **2,877,501** |
| **Liabilities** | | | | | | |
| Segment liabilities for reportable segments | **1,033,627** | **–** | **429,623** | **429,623** | **26,263** | **1,489,513** |
| Unallocated liabilities | | | | | | **105,682** |
| **Total liabilities** | | | | | | **1,595,195** |

For the six months ended 30 June 2020

**Segment revenue and results**

| | Postpartum Care Services | Health Industry: Natural Health Food | Health Industry: Medical Anti-aging and Healthcare industry investments | Health Industry: Sub-total | Others | Consolidated |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Revenue** | | | | | | |
| Revenue from external customers | 313,395 | – | 6,561 | 6,561 | 4,386 | 324,342 |
| **Results** | | | | | | |
| Segment results for reportable segment | 44,187 | (1,600) | (4,441) | (6,041) | 1,013 | 39,159 |
| Unallocated expenses, net* | | | | | | (20,914) |
| Gain on disposal of subsidiaries | | | | | | 7,423 |
| **Profit for the year** | | | | | | 25,668 |

* Unallocated expenses mainly include certain depreciation on property, plant and equipment, general office expenses and unallocated employee benefit expenses.

As at 31 December 2020

**Segment asset and liabilities**

| | | Health Industry | | | | |
|---|---|---|---|---|---|---|
| | Postpartum Care Services *HK$'000* | Natural Health Food *HK$'000* | Medical Anti-aging and Healthcare industry investments *HK$'000* | Sub-total *HK$'000* | Others *HK$'000* | Consolidated *HK$'000* |
| **Assets** | | | | | | |
| Segment assets for reportable segments | 1,761,677 | 90,264 | 941,930 | 1,032,194 | 59,612 | 2,853,483 |
| Unallocated assets | | | | | | 15,879 |
| Total assets | | | | | | 2,869,362 |
| **Liabilities** | | | | | | |
| Segment liabilities for reportable segments | 920,331 | 30,918 | 462,692 | 493,610 | 140,545 | 1,554,486 |
| Unallocated liabilities | | | | | | 320,742 |
| **Total liabilities** | | | | | | 1,875,228 |

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales during the same period in 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, deposits received and other payables and bonds 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:

| | **For six months ended 30 June** | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| PRC | **314,856** | 317,287 |
| Hong Kong | **9,202** | 7,055 |
| | **324,058** | 324,342 |

| | **30 June 2021** | 31 December 2020 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| **Non-current assets*** | | |
| PRC | **1,655,911** | 1,724,493 |
| Hong Kong | **1,645** | 32,067 |

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

## 5. OTHER INCOME

| | For six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **133** | 98 |
| Interest income from financial assets at FVTPL | **1,213** | 3,611 |
| Dividend income | **–** | 377 |
| Government grants (note) | **1,061** | 1,565 |
| Management income | **189** | – |
| Rental income | **4,888** | – |
| Others | **812** | 191 |
| | **8,296** | 5,842 |

*Note:* Government grants were mainly granted to the Group as subsidies to support the operation of the PRC and Hong Kong subsidiaries. The government grant had no conditions or contingencies attracted to them and they were non-recurring in nature.

## 6. INCOME TAX EXPENSE

| | For six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Income tax (income)/expense comprises | | |
| Current tax: | | |
| Hong Kong Profits Tax | **–** | (2,892) |
| PRC Enterprise Income Tax | **11,694** | 22,014 |
| Deferred tax | **–** | (1,099) |
| | **11,694** | 18,023 |

### (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.

## 7. PROFIT FOR THE PERIOD

| | For six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Profit for the period has been arrived at after charging: | | |
| Total staff costs, including Directors' emoluments: | | |
| Salaries and other benefits | **86,456** | 81,832 |
| Retirement benefit scheme contributions | **3,210** | 2,920 |
| | **89,666** | 84,752 |
| Auditors' remuneration | **900** | 900 |
| Depreciation of property, plant and equipment | **19,245** | 19,698 |
| Depreciation of right-to-use assets | **50,002** | 40,579 |
| Interest expense on lease liabilities | **8,369** | 7,793 |

## 8. DIVIDEND

The Directors do not recommend any payment of interim dividend for the Period (2020: Nil).

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings attributable to owners of the Company is based on the following data:

| | For six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Earnings for the purpose of Basic and diluted earnings per share (profit for the period attributable to owners of the Company) | **23,582** | 25,990 |
| **Number of shares ('000)** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | **3,849,967** | 3,830,915 |

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these period.

## 10. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLE

| | 30 June 2021 (Unaudited) *HK$'000* | 31 December 2020 (Audited) *HK$'000* |
|---|---|---|
| Deposits | **20,229** | 25,442 |
| Prepayments *(note (1))* | **261,778** | 281,349 |
| Other receivables *(note (2))* | **239,901** | 78,139 |
| | **521,908** | 384,930 |
| Less: Allowance for expected credit losses | **(9,130)** | (11,090) |
| | **512,778** | 373,840 |
| Analysed for reporting purposes as: | | |
| Non-current | **–** | – |
| Current | **512,778** | 373,840 |
| | **512,778** | 373,840 |

The directors of the Company consider that carrying amounts of deposits paid and other receivables approximate to their fair values.

*Notes:*

1. The prepayments mainly comprised of (i) prepaid land cost situated at Luofu Mountain in Guangdong Province of approximately HK$21,644,000, and (ii) prepaid construction and development costs for Luofu Mountain projects of approximately HK$203,306,000 (31 December 2020: HK$21,547,000, HK$187,441,000 respectively). As at 30 June 2020, there was no prepaid cost for procurement of raw material and finished goods for health industry business (31 December 2020: HK$67,160,000).

2. As at 30 June 2021, the other receivables mainly comprised of other receivable due to disposal of subsidiaries and associates of approximately HK$188,296,000 (31 December 2020: HK$1,197,000) and there was no payment related to medical anti-aging business and healthcare industry investment business (31 December 2020: HK$63,540,000).

## 11. TRADE RECEIVABLES

| | **30 June 2021 (Unaudited)** | 31 December 2020 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **3,702** | 12,013 |
| Less: Allowance for expected credit losses | **(192)** | (1,723) |
| | **3,510** | 10,290 |

The Group generally allows an average credit period ranging from 30 to 90 days (31 December 2020: 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:

| | **30 June 2021 (Unaudited)** | 31 December 2020 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **10** | – |
| 31 to 60 days | **–** | – |
| 61 to 90 days | **–** | – |
| Over 90 days | **3,500** | 10,290 |
| | **3,510** | 10,290 |

## 12. TRADE PAYABLES

The following is an aged analysis of trade payables at the end of the reporting period:

| | **30 June 2021** | 31 December 2020 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **24,394** | 8,076 |
| 31 to 60 days | **1,652** | 3,459 |
| 61 to 120 days | **1,142** | – |
| 121 to 180 days | **319** | – |
| 181 to 365 days | **2,013** | 46 |
| | **29,520** | 11,581 |

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

## 13. ACCRUALS AND OTHER PAYABLES/CONTRACT LIABILITIES

### (a) Accruals and other payables

| | **30 June 2021** | 31 December 2020 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Accruals | **28,164** | 37,860 |
| Other payables *(note)* | **26,946** | 80,274 |
| | **55,110** | 118,134 |

*Note:*

Other payables mainly comprised of approximately (a) HK$2,404,000 (31 December 2020: HK$2,393,000) consideration payable to third parties for development and construction of the Luofu Mountain project, and (b) HK$9,159,000 (31 December 2020: HK$8,681,000) advance payment from independent third parties. Nil represents the fourth installment payable to the vendors of Shenzhen Aidigong Group and the balance was reclassified from contingent consideration payable (31 December 2020: HK$59,853,000).

**(b) Contract liabilities**

| | **30 June 2021 (Unaudited) *HK$'000*** | 31 December 2020 (Audited) *HK$'000* |
|---|---|---|
| Contract liabilities *(note)* | **128,530** | 169,990 |

*Note:*

At 30 June 2021, contract liabilities mainly comprised of approximately (a) HK$106,807,000 of deferred income relating to postpartum care services and medical anti-aging healthcare services (31 December 2020: HK$146,900,000) and (b) HK$21,724,000 deposit received from customers on sales of real estates of Luofu Mountain projects (31 December 2020: Nil). There was no deposits received from customers on sales of raw materials and finished goods of natural health food as at 30 June 2021 (31 December 2020: HK$23,085,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY REVIEW

The meeting of the Political Bureau of the CPC Central Committee held on 31 May 2021 revealed that the Chinese Government will further optimize its birth policies by implementing the three-child policy and relevant supporting measures, which will help improve China's demographic structure, implement national strategy to actively respond to aging population, and maintain China's human resources advantages.

In July 2021, the Decision of the CPC Central Committee and the State Council on Optimizing Birth Policies to Promote Long-term and Balanced Population Development（中共中央國務院關於優化生育政策促進人口長期均衡發展的決定）(the "**Decision**") was released by Xinhua News Agency. The Decision mentioned that population development is a major issue relating to the development of the Chinese nation. In order to implement the spirit of the 19th CPC National Congress and the 2nd, 3rd, 4th, and 5th Plenary Sessions of the 19th CPC Central Committee and promote the long-term balanced development of the population, in order to optimize the birth policies, the three-child policy is implemented and restrictive measures such as social support are cancelled and relevant penalties are cleaned up and abolished, and active childbirth support measures will be implemented. The Decision also mentioned that China will implement the three-child policy in accordance with the law, cancel restrictive measures such as social support payments and completely decouple entry, enrollment, employment, etc. from personal fertility status. The implementation of this policy will help increase the overall birth population base.

Benefiting from the relaxing two-child policy in 2016, China's birth population structure has undergone significant change, with the proportion of having two and more children gradually increased. The proportion of new-born babies as the second or more child in the family reached 58% in 2019. According to the research data of iiMedia Research, after experiencing the services at postpartum care centres, 97.5% of postpartum mothers would choose postpartum care centres when giving birth to their another child. As a result, multiple childbirth will help increase repurchase in the industry. In the long term, the changes in the structure of new-born population as a result of the relaxing birth policy will also facilitate the expansion of the size of the postpartum care centres market.

## BUSINESS REVIEW

### Postpartum Care Service Business

Despite experiencing periods of regional reoccurrence of the COVID-19 epidemic since 2021, the Company has been proactively taking full and effective protection against the COVID-19 epidemic to ensure the safety of customers and employees, and consumers' demand for postpartum care centres under the brand name of "Aidigong" has been consistently increasing. In April 2021, the Group opened Shenzhen Qiaochengfang Luxury Courtyard, a postpartum care centre under the brand name of "Aidigong", which is located in the OCT zone in Shenzhen with 70 postpartum care rooms. Shenzhen Qiaochengfang Luxury Courtyard is the first postpartum care centre under the brand name of "Aidigong" opened in decorated properties, which apartment and hotel properties were chosen.

The turnover of the postpartum care service business for the Period increased by 2.67% as compared to the six months ended 30 June 2020 to approximately HK$314,856,000. Net profit for the Period decreased by 8.22% as compared to the six months ended 30 June 2020 to approximately HK$44,022,000. The decrease in net profit was mainly due to the losses of Qiaochengfang Luxury Courtyard in its preliminary development phase. As the postpartum care industry generally requires 3-6 months reservation in advance, the occupation rate of new postpartum care centres will generally rise after its opening and can achieve monthly breakeven half a year after opening.

The business performance of the Group's postpartum care service business for the six months ended 2020 and 2021 are set out as follows:

| | **For the six months ended 30 June 2021** | For the six months ended 30 June 2020 (Restated) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Turnover *(note)* | **314,856** | 306,620 |
| Gross profit | **117,432** | 122,940 |
| Administrative expenses | **15,883** | 12,951 |
| Selling and distribution expenses | **62,894** | 51,680 |
| Profit for the period | **44,022** | 47,967 |

*Note:* The rental and management fee income in and before June 2020 is included in the turnover, and rental and management fee income is transferred to other income during the Period.

The "Aidigong" postpartum care centres are directly managed postpartum care centres positioned at high-end market, which offer professional care with a core team of experts and nurses. The postpartum care services provided by "Aidigong" postpartum care centres include five major businesses. 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, personalized meals for mothers which are customized by nutritionists, dedicated nurses to provide babies with early education such as hydrotherapy, auditory and visual development, and to teach scientific professional parenting knowledge to mothers. The other four major businesses include postpartum rehabilitation, yoga shaping, breast management and baby photography. The postpartum rehabilitation business helps mothers to recover fully through rehabilitation programmes. The yoga shaping business is taught by yogis teaching mothers to reshape themselves quickly and safely through yoga exercises. The breast management business involves breastfeeding specialists to help mothers solve their breastfeeding problems. The baby photography business includes photo shooting and filming of babies.

After 14 years of development, the Group has served more than 20,000 mothers and received high recognition. It has developed Aidigong's core competence, the "Maternal and Infant Nursing System", which includes 9 major service systems and 1,300 maternal and child health care operation points, and an information software "Postpartum Care Centres Management System" based on it. 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 Group to further its rapid replication and expansion nationwide. During its development, the Group focuses on team building, in which its strong talent pool and extensive school-enterprise cooperation secures the needs of rapid expansion.

| Postpartum care centres | As at 30 June 2021 Rooms |
|---|---|
| Xiangmihu, Shenzhen | **112** |
| Silver Lake, Shenzhen | **48** |
| Nanshan, Shenzhen | **149** |
| Beijing | **54** |
| Chengdu | **72** |
| Shenzhen Qiaochengfang | **70** |
| Total | **505** |

As at 30 June 2021, Shenzhen Aidigong Maternity Health Management Co., Ltd. ("**Shenzhen Aidigong**") and its subsidiaries (collectively "**Shenzhen Aidigong Group**") had bank and cash balances and structured bank deposits in total of approximately HK$107,099,000 (as at 31 December 2020: HK$103,757,000).

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

## Health Industry

### *Medical Anti-Aging and Healthcare Industry Investment Business*

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 under construction 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 land use term of 70 years with a plot ratio of 2 and undergoing development and construction of the ancillary facilities of household hot springs, which mainly consists of saleable health preservation villas and health preservation bungalows. The project has obtained pre-sale permits of 30 villas under Phase I and has commenced sales in May 2021. The average pre-sale price of Phase I is over RMB20,000 per square meter. As at the date of this announcement, 24 sale reservations have been obtained, and the transaction amount of villas reserved is approximately RMB108,000,000. It is expected that in the second half of 2021, pre-sale certificates for other properties under construction will be successively obtained and the number of saleable houses will increase. The Health Preservation Base Project in Luofu Mountain is expected to contribute considerable cash flow to the Group.

Investment projects currently held by the Group includes Prance Dragon Medical Group, which operates JP Partners Medical Group, is operating Chinese medicine, western medicine, dental clinics and endoscopy services in Hong Kong. The Group operates 14 chinese medical clinics, 12 western medical clinics, 6 dentals clinics, 1 wholly-owned endoscopy centre, 3 jointly established endoscopy centres with Humansa and provides outreach services to more than 70 elderly homes.

As of 30 June 2021, only the Health Preservation Residential Project in Luofu Mountain and the industry investment project Prance Dragon Medical Group remained in the medical anti-aging and health industry investment business of the Group.

The Group holds 9.57% equity interests in Prance Dragon Medical Group as at 30 June 2021. Its performance is relatively stable during the Period.

During the Period, revenue from medical anti-aging and healthcare industry investments amounted to approximately HK$5,348,000 (2020: HK$6,561,000), representing a decrease of approximately HK$1,213,000 when compared to the six months ended 30 June 2020.

## FINANCIAL REVIEW

### Results

Revenue for the Period was approximately HK$324,058,000 (2020: HK$324,342,000), decreased by approximately HK$284,000 or 0.09% as compared to the same period of last year. Gross profit for the Period was approximately HK$128,235,000 (2020: HK$139,110,000), decreased by approximately HK$ 10,875,000 or 7.82% as compared to the same period of last year. The gross profit margin of the Group for the Period was 39.6% (2020: 42.9%). The decrease in revenue and gross profit for the Period was mainly attributable to the continuous drop in the disposed medical anti-aging business and the new postpartum care center is still in the climbing stage, and the revenue has not yet covered the cost.

### Other income

Other income for the Period was approximately HK$8,296,000 (2020: HK$5,842,000), representing an increase of approximately HK$2,454,000 or 42.0% as compared to the same period of last year. The increase was mainly due to increase in the rental income.

### Administrative expenses

Administrative expenses for the Period were approximately HK$28,462,000 (2020: HK$25,497,000), representing an increase of approximately HK$2,965,000 or 11.6% as compared to the same period of last year. Such increase was mainly from the health industry business.

### Selling and distribution expenses

Selling and distribution expenses for the Period were approximately HK$62,894,000 (2020: HK$51,135,000), representing an increase of approximately HK$11,759,000 or 23.0% as compared to the same period of last year. Such increase was mainly due to the additional expenses arised from the operation of new postpartum care centres.

### Share of results of associates

Share of results of associates for the Period was approximately loss of HK$794,000 (2020: profit of HK$651,000), representing a decrease of approximately HK$1,445,000 as compared to the same period of last year. The associates that incurred losses were sold during the Period.

### Finance costs

Finance costs for the Period were approximately HK$32,900,000 (2020: HK$32,703,000), representing an increase of approximately HK$197,000 or 0.6% as compared to the same period of last year, which had no material change.

### Profit for the Period

Compared with profit before income tax of approximately HK$43,691,000 last year, profit before income tax of the Group for the Period was approximately HK$38,755,000, representing a decrease of approximately HK$4,936,000 or 11.3%. The decrease in profit was mainly due to the combined effect of (i) a decrease in gross profit as result of the continuous drop in the performance of the medical anti-aging business; and (ii) additional expenses incurred by the new postpartum care center for principal operations cost and selling and distribution expenses. However, the aforesaid additional expenses were partially offset by the gain generated from disposal of subsidiaries and associates. See "Material acquisitions and disposals – Disposal of subsidiaries" below for a discussion of the details.

Basic and diluted earnings per share attributable to the owners of the Company for the Period were both HK0.61 cents (2020: basic and diluted earnings per share: both HK0.68 cents).

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (2020: Nil).

## PROSPECTS

On 10 June 2021, the Group sold the medical beauty businesses in Hong Kong and all the equity interests in an associate which engaged in seahorse breeding business at an aggregate consideration of HK$95,000,000 and realized a total unaudited gain of approximately HK$17,385,000. On 18 June 2021, the Group sold an associate engaging in bio-pharmaceutical business at a consideration of RMB62,000,000 (approximately HK$73,421,000) and realized an unaudited gain of approximately HK$7,034,000. The Group completed the disposal of such businesses as scheduled, which were seriously affected by the pandemic in 2020, so as to further focus its development on the postpartum care services business.

On 25 June 2021, relevant employees of the Group, consisting of Ms. Zhu Yufei ("**Chairman Zhu**"), the Chairman of the Board, chief executive officer of the Group and an executive Director, and the management team of postpartum care services business subscribed a total of 264,099,966 new shares in the Company (the "**Shares**") from listed companies at HK$0.7. Following the completion of the issue, Chairman Zhu held 5.81% of the Company's issued share capital. On 27 June 2021, Mr. Cheung Wai Kuen has stepped down from his role as one of the joint chairmen with effect from 27 June 2021 but remained as an executive director of the Company, responsible for the execution of the business other than that of the postpartum services. Chairman Zhu continues to be responsible for the execution of the postpartum centre services business and to lead the overall development of the Group.

In 2021, the Group commenced the running of opening postpartum care centres under the brand name of "Aidigong" adopting the ultra-light asset model, involving the operation of postpartum care centres through the long-term leasing of decorated properties. As the leasing of decorated properties do not require decoration by the Group, it largely shortens the establishment period for opening new centres. The establishment period will be reduced to one-third of the existing properties which require independent decoration and the capital investment will reduce to one-third of existing properties requiring independent decoration. In April 2021, Shenzhen Qiaochengfang Luxury Courtyard, the first new postpartum care centre under the ultra-light asset model was opened. Through the operation and the numbers of orders of Shenzhen Qiaochengfang Luxury Courtyard, it has proven to be a success in adopting the ultra-light asset model. The Company believes that the new postpartum care centre will assist the Group in achieving higher benefits and returns.

Based on the success of the first postpartum care centre under the ultra-light asset model, the Group plans to open new postpartum care centres under the brand name of "Aidigong" through the ultra-light asset model. In July 2021, the Group leased the property in Nanshan, Shenzhen to establish a postpartum care centre. The location of the centre is adjacent to the core area of Bao'an District and can well cover the market in Bao'an District. It adopted decorated properties with 94 rooms and is planned to open for business in September 2021. In August 2021, the Company noted that the demand for postpartum care centres under the brand name of "Aidigong" in Chengdu is strong, the Group rented a property in Chengdu with 26 rooms. It is expected that 26 rooms can be offered for services and is expected to be officially open for business in October 2021. The new postpartum care centre in Chengdu is adjacent to the existing postpartum care centre, and it expected to generate a good synergistic effect to each other to further meet the demand of local consumers.

Postpartum care centres under the brand name of "Aidigong" have met the conditions for rapid expansion, including brands, standardization and team reserves. Through the large store management capability on Nanshan postpartum care centre and the distance operation of new markets in Beijing and Chengdu, it proved that the team of Aidigong has the capability to open postpartum care centres across China. In the future, the Group will leverage on the national population policies and seize opportunities to further expand its market share. It will speed up in securing properties to establish postpartum care centres under the brand name of "Aidigong" through the cooperation with brand chain apartments or property developers and achieve the five-year rapid expansion plan of the Group to meet the demand of consumers across the country.

## FINANCIAL HIGHLIGHT

**Net assets value**

As at 30 June 2021, the net assets of the Group was approximately HK$1,282,306,000 (31 December 2020: HK$994,134,000), representing an increase of approximately HK$288,172,000 as compared to the corresponding period in 2020. The increase was mainly due to (i) funds of approximately HK$299,136,000 arising from the issue of new shares by the Company; (ii) comprehensive income of approximately HK$44,080,000 for the period; a decrease in minority interest of approximately HK$29,272,000 resulting from the disposal of subsidiaries; and a return to minority shareholders of approximately HK$25,251,000 resulting from the capital reduction of a subsidiary.

Net assets value per issued ordinary share of the Company as at 30 June 2021 was approximately HK$0.30 (31 December 2020: HK$0.26).

As at 30 June 2021, the current ratio of the Group (calculated as current assets divided by current liabilities) was 2.81 (31 December 2020: 1.52).

**Equity**

The number of issued ordinary shares of the Company as at 30 June 2021 was 4,285,014,974 shares (31 December 2020: 3,830,915,008 shares).

On 22 June 2021, an aggregate of 190,000,000 placing shares have been placed to no less than six independent placees at the placing price of HK$0.62 per placing share. The Company intends to apply the net proceeds of the placing (i) as to 30% for the Group's general working capital; and (ii) as to 70% for repayment of outstanding indebtedness of the Group. Each of the placees thereunder has undertaken on a voluntary basis to be subject to lock-up undertakings made in favour of the Company, that he/she/it will not dispose of his/her/its placing shares within six (6) months from the date of the relevant placee letter unless with the prior written consent from the Company. Details are disclosed in the announcements of the Company dated 2 June 2021, 16 June 2021 and 22 June 2021.

During the Period, pursuant to the subscription agreement dated 25 January 2019, the Company allotted and issued an aggregate of 264,099,966 Shares to the relevant employees at the subscription price of HK$0.7 per share, the completion of which took place on 25 June 2021. Details are disclosed in the announcements of the Company dated 25 January 2019, 27 February 2019, 29 April 2019, 28 June 2019, 23 July 2019, 13 September 2019, 31 March 2020, 12 March 2021, 17 March 2021 and 25 June 2021, and the circular of the Company dated 26 July 2019.

**Liquidity and financial resources**

As at 30 June 2021, the Group has a principal amount of HK$107,900,000 (31 December 2020: HK$125,500,000) unsecured bonds payable, approximately HK$740,725,000 (31 December 2020: HK$695,748,000) secured bank loan, Nil (31 December 2020: HK$2,285,000) unsecured bank loan, Nil (31 December 2020: HK$30,000,000) secured other borrowings and HK$33,625,000 (31 December 2020: HK$28,571,000) unsecured other borrowings.

Save for disclosed above, the Group did not have any other borrowing as at 30 June 2021. The gearing ratio of the Group was 0.94 as at 30 June 2021 (31 December 2020: 1.26). The decrease in the ratio was mainly due to decrease of lease liabilities.

The Group maintains sufficient working capital and cash position for daily operations. Bank and cash balances as at 30 June 2021 amounted to approximately HK$126,990,000 (31 December 2020: HK$81,530,000).

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 30 June 2021, 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 ranges from three to seven months. The Group is not exposed to material fluctuations risks in exchange rates.

**Remuneration policies and share option scheme**

It is the Group's policy to recruit the suitable candidate for each position based on the individual'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 Period, total staff costs excluding Directors' emolument were approximately HK$86,231,000 (2020: HK$81,457,000).

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 effective date. As at 30 June 2021, no share option was outstanding (31 December 2020: 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. The Board will, from time to time, consider and if appropriate, identify relevant participants of the Scheme to carry out the purposes and achieve relevant objectives of the Scheme. The Company was informed by the trustee of the Scheme that, in May 2020 and February 2021, it has purchased on the open market an aggregate of 2,100,000 Shares, representing approximately 0.05% of the issued share capital of the Company for the purpose of the Scheme. No share award was granted pursuant to the Scheme during the Period.

**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 Goodtop Health Industry Group Limited (廣東萬佳健康產業集團有限公司) (formerly known as "Guangdong Common Splendor Health Industry Group Limited (廣東同佳健康產業集團有限公司)") ("**Guangdong Goodtop**"), 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 Goodtop the loan facilities of up to an aggregate principal amount of RMB340 million. Guangdong Goodtop provided share pledge of up to RMB510 million over 88.5184% share interests in Shenzhen Aidigong. The Company provided guarantees and Mr. Cheung Wai Kuen, the executive Director, provided personal guarantees to the loan facilities.

In 2020, the Group obtained a loan facility of RMB300 million from Dongguan Rural Commercial Bank Co., Ltd. and the loan was secured by the subsidiaries of the Company.

The provision of such personal guarantees constitute a 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 compliance with the shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Save as disclosed above, no other assets were pledged by the Group as at 30 June 2021 and 31 December 2020.

## CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liability (31 December 2020: Nil).

## MATERIAL ACQUISITIONS AND DISPOSALS

**Disposal of subsidiaries**

On 28 April 2021, the Company entered into an equity transfer agreement with an independent third party to dispose the entire equity interests in Dongguan Aijia Health Management Limited(東莞愛佳健康管理有限公司)(“**Dongguan Aijia**”) held by the Group at a consideration of RMB1.1 million. After the completion of the disposal, the Company ceased to hold any interest in Dongguan Aijia, and accordingly, the financial results of Dongguan Aijia will no longer be consolidated into the consolidated financial statements. Owing to the aforesaid disposal during the Period, the Group recorded a gain on disposal of subsidiaries of approximately HK$0.9 million. As none of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the disposal of Dongguan Aijia exceeded 5%, it did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

On 18 May 2021, the Company entered into an equity transfer agreement with an independent third party to dispose the entire equity interests in Guangdong Weijingfang Food Limited(廣東維菁坊食品有限公司)(“**Guangdong Weijingfang**”) held by the Group at a consideration of RMB16 million. After the completion of the disposal, the Company ceased to hold any interest in Guangdong Weijingfang, and accordingly, the financial results of Guangdong Weijingfang will no longer be consolidated into the consolidated financial statements. Owing to the aforesaid disposal during the Period, the Group recorded a gain on disposal of subsidiaries of approximately HK$2.0 million. As none of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the disposal of Guangdong Weijingfang exceeded 5%, it did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 10 June 2021. During the Period, the Company completed the disposal of the entire issued share capital in Golden Time Ventures Limited(金泰創投有限公司)(together with its subsidiaries, collectively, the “**GTV Group**”) at a consideration of HK$70 million. After the completion of the disposal, the Company ceased to hold any interest in the GTV Group, and accordingly, the financial results of the GTV Group will no longer be consolidated into the consolidated financial statements. Owing to the aforesaid disposal during the Period, the Group recorded a gain on disposal of subsidiaries of approximately HK$13.5 million (unaudited).

The actual amount of gain arising from the disposals of subsidiaries to be recognised by the Group will be subject to final audit by the Company's auditors.

**Disposal of associates**

Reference is made to the announcement of the Company dated 10 June 2021. During the Period, the Company completed the disposal of the 49% interests in Shenzhen Wanqi Marine Bio Tech Company Limited*（深圳市萬騏海洋生物科技有限公司）(“**Shenzhen Wanqi**”) and the entire issued share capital in its original holding company (the “**SW Holdco**”, collectively with Shenzhen Wanqi, the “**Jumbo Group**”) at a consideration of HK$25 million. Owing to the aforesaid disposal during the Period, the Group recorded an unaudited gain on disposal of associates of approximately HK$3.9 million.

Reference is made to the announcement of the Company dated 18 June 2021. The Company entered into an equity transfer agreement (the “**Agreement**”) with Mr. Zhao on 18 June 2021 to dispose of the following entire equity interests in entities held by the Group (the “**Disposals**”), namely (i) the 51% equity interests in Guangdong Kelv Bio Medical Tech Company Limited*（廣東科綠生物醫藥科技有限公司）(“**Guangdong Kelv**”, together with Guangdong Fengyuan, the “**Target Companies**”); and (ii) the 22.72% equity interests in Guangdong Fengyuan (collectively, the “**Disposed Interest**”), at a total consideration of RMB62 million. Owing to the aforesaid disposal during the Period, the Group recorded an unaudited gain on disposal of associates of approximately HK$7.0 million.

## EVENTS AFTER THE REPORTING PERIOD

The Board was informed by one of the Company's shareholders, namely, Suntek Global Growth Fund SPC – Suntek Global Growth Fund Number One SP Limited, that it has voluntarily made a lock-up undertaking solely to the Company in respect of all of the interests held directly in 398,304,379 shares in the Company up to 17 September 2022, to demonstrate their faith in the long-term value of the Company. See the Company's announcement dated 15 August 2021 for reference.

Save as disclosed in this announcement, there are no other significant events after the end of the Period that either require adjustment to the financial statements or are material to the understanding of the Group's current position.

## CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

On 27 October 2020, the Company entered into an incentive agreement with Hongchang International Investment Limited ("**Zhu Associate**"), 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 (i) as at the date of the incentive agreement, approximately (a) 5.22% of the issued share capital of the Company; (b) 4.96% of the Company's issued share capital as enlarged by the issue of the maximum number of the incentive shares and (ii) as at the date of this announcement, approximately (a) 4.67% of the issued share capital of the Company; (b) 4.46% 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 Limited, 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 the provision of a three-year revolving loan facility of up to HK$200,000,000 to Champion Dynasty Limited 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 30 June 2021, the outstanding balance of the loan to Champion Dynasty Limited amounted to HK$30,113,000 (31 December 2020: HK$30,830,000).

## 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 Period. The Company had complied with the code provisions set out in the CG Code during the Period.

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. Ms. Zhu Yufei was appointed as an executive Director, a joint chairman of the Board and the chief executive officer on 6 December 2019. Following Mr. Cheung Wai Kuen's stepped down from his role as one of the joint chairmen of the Board with effect from 27 June 2021, Ms. Zhu Yufei holds the positions as the chairman of the Board and an executive Director as at the date of this announcement. With Ms. Zhu Yufei'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. 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 1,000,000 shares of the Company at a total consideration of HK$521,000 during the Period for the purpose of the Share Award Scheme.

Except as disclosed above, neither the Company nor any of its subsidiaries 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 by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

## REVIEW BY AUDIT COMMITTEE

The interim results for the Period are unaudited and have not been reviewed by the auditor of the Company. The Audit Committee, comprised all independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements for the Period.

## CHANGES IN INFORMATION OF DIRECTORS

On 27 June 2021, Mr. Cheung Wai Kuen, has stepped down from his role as one of the joint chairmen of the Board but remained as an executive director of the Company. Details of which have been disclosed in the Company's announcement dated 27 June 2021.

## APPRECIATION

We would like to take this opportunity to express our gratitude to the shareholders of the Company for their great 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**
*Chairman*

Hong Kong, 27 August 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 director; Mr. Wong Kin Man and Mr. Yang Zhibo as non-executive director; and Mr. Mai Yang Guang, Mr. Lam Chi Wing and Mr. Wong Yiu Kit, Ernest as independent non-executive director.*