爱帝宫

AIDIGONG MATERNAL & CHILD HEALTH LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 286)

Interim Report 2022

Contents

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Zhu Yufei *(Chairman and Chief Executive Officer)*
Cheung Wai Kuen
Lin Jiang
Li Runping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yu Lin
Lam Chi Wing
Wong Yiu Kit, Ernest

AUDIT COMMITTEE

Wong Yiu Kit, Ernest *(Chairman)*
Yu Lin
Lam Chi Wing

REMUNERATION COMMITTEE

Yu Lin *(Chairman)*
Lam Chi Wing
Wong Yiu Kit, Ernest

NOMINATION COMMITTEE

Zhu Yufei *(Chairman)*
Yu Lin
Lam Chi Wing

COMPANY SECRETARY

Wong Wing Cheung

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

PRINCIPAL BANKERS

Bank of Dongguan Co., Ltd.
China Merchants Bank Co., Ltd.
China Construction Bank Corporation
CMB Wing Lung Bank Limited
Dongguan Rural Commercial Bank Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia Limited

PLACE OF INCORPORATION

Bermuda

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Unit E, 28/F, YHC Tower,
1 Sheung Yuet Road,
Kowloon Bay, Kowloon, Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.aidigong.hk

STOCK CODE

286

BOARD LOT

2,000 shares

INVESTOR RELATIONS

For enquiries relating to investor relations, please contact:
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Unaudited Interim Results

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 2022 (the "**Period**") together with the comparative figures for the corresponding period in 2021 ("**2021 Period**") as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

		For six months ended 30 June	
	Notes	**2022 (Unaudited) HK$'000**	2021 (Unaudited) HK$'000
Revenue	*3*	**328,791**	324,058
Cost of sales		**(273,601)**	(195,823)
Gross Profit		**55,190**	128,235
Other income	*5*	**11,698**	8,296
Administrative expenses		**(37,972)**	(28,462)
Selling and distribution expenses		**(63,755)**	(62,894)
Share of results of associates		**–**	(794)
(Loss)/profit from operations		**(34,839)**	44,381
Gain on disposal of subsidiaries		**–**	16,374
Gain on disposal of associates		**–**	10,900
Finance cost		**(34,881)**	(32,900)
(Loss)/profit before income tax		**(69,720)**	38,755
Income tax credit/(expense)	*6*	**7,755**	(11,694)
(Loss)/profit for the period	*7*	**(61,965)**	27,061
Other comprehensive (expense)/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		**(27,027)**	17,104
Release of exchange reserve upon disposal of subsidiaries		**–**	(85)
		(27,027)	17,019
Total comprehensive (expense)/income for the period		**(88,992)**	44,080

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the six months ended 30 June 2022

	Notes	For six months ended 30 June 2022 (Unaudited) HK$'000	2021 (Unaudited) HK$'000
(Loss)/profit for the period attributable:			
Equity holders of the Company		**(61,505)**	23,582
Non-controlling interests		**(460)**	3,479
		(61,965)	27,061
Total comprehensive (expense)/income for the period attributable to:			
Equity holders of the Company		**(81,396)**	34,519
Non-controlling interests		**(7,596)**	9,561
		(88,992)	44,080
(Loss)/earnings per share for the period attributable to equity holders of the Company	*9*		
Basic and diluted (HK cents per share)		**(1.43)**	0.61

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Notes	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**149,081**	144,768
Right-of-use assets		**547,508**	385,447
Intangible assets	*10*	**767,607**	804,033
Goodwill		**417,304**	437,106
Interests in associates		**2,054**	2,151
Equity investments at fair value through other comprehensive income		**19,891**	19,891
Deferred tax assets		**31,113**	13,695
		1,934,558	1,807,091
Current assets			
Deposits, prepayments and other receivables	*11*	**593,341**	538,301
Trade receivables	*12*	**3,791**	3,401
Inventories		**2,504**	2,923
Properties under development	*13*	**529,343**	485,907
Short-term loans receivable	*14*	**28,059**	28,355
Financial assets at fair value through profit or loss		**48,716**	69,344
Bank and cash balances		**92,104**	87,627
		1,297,858	1,215,858
Current liabilities			
Trade payables	*15*	**38,521**	29,307
Accruals and other payables	*16*	**62,035**	64,507
Contract liabilities	*16*	**249,868**	211,162
Lease liabilities		**164,547**	138,194
Bank and other borrowings	*17*	**109,471**	102,124
Bonds payable	*18*	**52,775**	39,397
Tax payable		**16,463**	14,179
		693,680	598,870
Net current assets		**604,178**	616,988
Total assets less current liabilities		**2,538,736**	2,424,079

Condensed Consolidated Statement of Financial Position *(Continued)*

At 30 June 2022

	Notes	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Capital and reserves			
Share capital		**43,150**	42,850
Reserves		**982,914**	1,053,863
Equity attributable to equity holders of the Company		**1,026,064**	1,096,713
Non-controlling interest		**145,434**	153,030
Total equity		**1,171,498**	1,249,743
Non-current liabilities			
Deferred tax liabilities		**159,935**	167,524
Bank borrowings	*17*	**748,513**	692,626
Lease liabilities		**421,594**	281,142
Bonds payable	*18*	**37,196**	33,044
		1,367,238	1,174,336
		2,538,736	2,424,079

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Equity investment at fair value through other comprehensive income reserve HK$'000	Shares held for the share award scheme HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Share options reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021 (Audited)	38,309	1,015,027	9,176	(4,011)	(498)	17,255	(46,339)	–	(256,151)	772,768	221,366	994,134
Profit for the period	–	–	–	–	–	–	–	–	23,582	23,582	3,479	27,061
Exchange differences on translating foreign operations arising during the period	–	–	11,022	–	–	–	–	–	–	11,022	6,082	17,104
Release of exchange reserve upon disposal of subsidiaries	–	–	(85)	–	–	–	–	–	–	(85)	–	(85)
Total comprehensive income	–	–	10,937	–	–	–	–	–	23,582	34,519	9,561	44,080
Proceeds from share subscription	2,641	182,229	–	–	–	–	–	–	–	184,870	–	184,870
Proceeds from share placing	1,900	112,366	–	–	–	–	–	–	–	114,266	–	114,266
Purchase of shares for the share award scheme	–	–	–	–	(521)	–	–	–	–	(521)	–	(521)
Capital reduction of NCI	–	–	–	–	–	–	–	–	–	–	(25,251)	(25,251)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(29,272)	(29,272)
At 30 June 2021 (Unaudited)	42,850	1,309,622	20,113	(4,011)	(1,019)	17,255	(46,339)	–	(232,569)	1,105,902	176,404	1,282,306
At 1 January 2022 (Audited)	42,850	1,309,622	28,822	(4,609)	(1,019)	27,192	(46,339)	982	(260,788)	1,096,713	153,030	1,249,743
Profit for the period	–	–	–	–	–	–	–	–	(61,505)	(61,505)	(460)	(61,965)
Exchange differences on translating foreign operations arising during the period	–	–	(19,891)	–	–	–	–	–	–	(19,891)	(7,136)	(27,027)
Total comprehensive income	–	–	(19,891)	–	–	–	–	–	(61,505)	(81,396)	(7,596)	(88,992)
Issue of shares under share award scheme	300	10,800	–	–	–	–	–	–	–	11,100	–	11,100
Shares granted under share award scheme	–	–	–	–	1,019	–	–	–	–	1,019	–	1,019
Purchase of shares for the share award scheme	–	–	–	–	(1,372)	–	–	–	–	(1,372)	–	(1,372)
Transfer to statutory reserve	–	–	–	–	–	5	–	–	(5)	–	–	–
At 30 June 2022 (Unaudited)	43,150	1,320,422	8,931	(4,609)	(1,372)	27,197	(46,339)	982	(322,298)	1,026,064	145,434	1,171,498

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	For six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash used in operating activities	**(105,870)**	(91,553)
Net cash generated from/(used in) investing activities	**2**	(159,347)
Net cash generated from financing activities	**91,139**	288,646
Net change in cash and cash equivalents	**(14,729)**	37,746
Effect of foreign exchange rate changes, net	**19,206**	7,714
Cash and cash equivalents at beginning of period	**87,627**	81,530
Cash and cash equivalents at end of period	**92,104**	126,990
Represented by:		
Bank and cash balances	**92,104**	126,990

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim 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 interim 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 2021.

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

2. PRINCIPAL ACCOUNTING POLICIES

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 the unaudited condensed consolidated financial statements for the Period are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

APPLICATION OF NEW AND AMENDMENTS TO HKFRSS

During the Period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

Except as described above, the application of the amendments to HKFRSs in the 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 unaudited condensed consolidated interim financial statements.

3. REVENUE

	For six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue from contracts with customers:		
Disaggregated by major products or service lines		
Provision of postpartum care services	**327,004**	314,856
Provision of medical anti-aging healthcare services	**–**	5,348
	327,004	320,204
Timing of revenue recognition:		
Over-time	**327,004**	320,204
Revenue from other sources:		
Interest income from loans receivable	**1,787**	3,854
	328,791	324,058

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, and 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, focuses 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 pharmaceutical products trading in the PRC, healthcare industry investments and development of health preservation residential project

"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 2022

SEGMENT REVENUE AND RESULTS

	Postpartum Care Services HK$'000 (Unaudited)	Health Industry HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Revenue				
Revenue from external customers	327,004	–	1,787	328,791
Results				
Segment results for reportable segment	(18,632)	(928)	(746)	(20,306)
Unallocated expenses, net*				(41,659)
Loss for the period				(61,965)

* Unallocated expenses mainly include certain depreciation on property, plant and equipment, general office expenses, equity-settled share award expense and interest expenses.

4. OPERATING SEGMENTS *(CONTINUED)*

For the six months ended 30 June 2021

SEGMENT REVENUE AND RESULTS

	Postpartum Care Services HK$'000 (Unaudited)	Health Industry HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Revenue				
Revenue from external customers	314,856	5,348	3,854	324,058
Results				
Segment results for reportable segment	35,168	7,538	1,380	44,086
Unallocated expenses, net*				(27,925)
Gain on disposal of subsidiaries				10,900
Profit for the period				27,061

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

4. OPERATING SEGMENTS *(CONTINUED)*

As at 30 June 2022

SEGMENT ASSET AND LIABILITIES

	Postpartum Care Services HK$'000 (Unaudited)	Health Industry HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Assets				
Segment assets for reportable segments	1,985,024	1,189,433	33,995	3,208,452
Unallocated assets				23,964
Total assets				3,232,416
Liabilities				
Segment liabilities for reportable segments	1,119,339	641,671	128,343	1,889,353
Unallocated liabilities				171,565
Total liabilities				2,060,918

4. OPERATING SEGMENTS *(CONTINUED)*

As at 31 December 2021

SEGMENT ASSET AND LIABILITIES

	Postpartum Care Services HK$'000 (Audited)	Health Industry HK$'000 (Audited)	Others HK$'000 (Audited)	Consolidated HK$'000 (Audited)
Assets				
Segment assets for reportable segments	1,909,197	1,071,561	28,723	3,009,481
Unallocated assets				13,468
Total assets				3,022,949
Liabilities				
Segment liabilities for reportable segments	1,050,714	447,549	96,041	1,594,304
Unallocated liabilities				178,902
Total liabilities				1,773,206

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; and

- 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.

4. OPERATING SEGMENTS *(CONTINUED)*

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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
PRC	**327,004**	314,856
Hong Kong	**1,787**	9,202
	328,791	324,058

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Non-current assets *(note)*		
PRC	**1,879,116**	1,768,382
Hong Kong	**2,384**	2,972

Note: 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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Bank interest income	**154**	133
Interest income from financial assets at FVTPL	**785**	1,213
Dividend income	**568**	–
Government grants *(note)*	**2,668**	1,061
Management income	**137**	189
Rental income	**6,846**	4,888
Others	**540**	812
	11,698	8,296

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 attached to them and they were non-recurring in nature.

6. INCOME TAX CREDIT/(EXPENSE)

	For six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Income tax credit/(expense) comprises		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**(13,143)**	(11,694)
Deferred tax	**20,898**	–
	7,755	(11,694)

6. INCOME TAX CREDIT/(EXPENSE) *(CONTINUED)*

(A) HONG KONG PROFITS TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profit generated in Hong Kong for the Period (2021 Period: Nil).

(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% during the Period (2021 Period: 25%).

(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. (LOSS)/PROFIT FOR THE PERIOD

	For six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss)/profit for the period has been arrived at after charging:		
Total staff costs, including Directors' emoluments:		
Salaries and other benefits	**114,089**	86,456
Retirement benefit scheme contributions	**8,129**	3,210
Equity-settled share award expense	**12,119**	–
	134,337	89,666
Auditors' remuneration	**900**	900
Depreciation of property, plant and equipment	**17,098**	19,245
Depreciation of right-to-use assets	**88,262**	50,002
Interest expense on lease liabilities	**13,771**	8,369

8. DIVIDEND

The Directors do not recommend any payment of interim dividend for the Period (2021 Period: Nil).

9. (LOSS)/EARNINGS PER SHARE

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

	For six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of Basic and diluted earnings per share ((loss)/profit for the period attributable to equity holders of the Company)	**(61,505)**	23,582
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**4,289,480**	3,849,967

Diluted loss per share for the Period is the same as basic loss per share as the potential ordinary shares in relation to the share award granted to the employees are anti-dilutive. Diluted earnings per share is the same as the basis earnings per share for 2021 Period as there was no potential dilutive ordinary share.

10. INTANGIBLE ASSET

The land development right was acquired by the Company through the acquisition of 100% equity interests of Harvest Luck Investment Limited ("**Harvest Luck**") during the year ended 31 December 2016. The management of the Group considered that the legal rights of the land development rights is capable of being renewed indefinitely at insignificant cost and it is expected to generate positive cash flows indefinitely. The development rights will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. No impairment loss was recognised during the Period.

10. INTANGIBLE ASSET *(CONTINUED)*

The trademark from postpartum care services with carrying amount of approximately HK$611,416,000 was acquired by the Company through the step-up acquisition of Shenzhen Aidigong Group during the year ended 31 December 2019. The Directors have determined the fair value of intangible asset as at 13 September 2019 with reference to the valuation report prepared by an independent valuer.

The management of the Group considered that the trademarks from health industry and postpartum care services business are expected to generate positive cash flows indefinitely and therefore they have indefinite useful lives. The trademarks will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

11. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLE

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Deposits	**39,484**	36,887
Prepayments *(note (1))*	**314,400**	273,882
Other receivables *(note (2))*	**248,774**	236,757
	602,658	547,526
Less: Allowance for expected credit losses	**(9,317)**	(9,225)
	593,341	538,301

The Directors 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$21,084,000 and (ii) prepaid construction and development costs for Luofu Mountain projects of approximately HK$254,633,000 (31 December 2021: HK$22,085,000 and HK$249,014,000 respectively).

(2) As at 30 June 2022, the other receivables mainly comprised of (i) consideration receivables for the disposal of subsidiaries and associates of approximately HK$178,311,000 (31 December 2021: HK$182,508,000), and (ii) amount due from a former subsidiary and dividend from the former associate of approximately HK$21,706,000 and HK$17,968,000 respectively (31 December 2021: HK$22,620,000 and HK$18,821,000 respectively).

12. TRADE RECEIVABLES

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Trade receivables	**4,256**	3,813
Less: Allowance for expected credit losses	**(465)**	(412)
	3,791	3,401

The Group generally allows an average credit period ranging from 30 to 90 days (31 December 2021: 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 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
0 to 30 days	**407**	–
31 to 60 days	**417**	1,646
61 to 90 days	**296**	–
Over 90 days	**2,671**	1,755
	3,791	3,401

13. PROPERTIES UNDER DEVELOPMENT

Properties under development represented the construction costs and capitalized expenditures of project in Luofu Mountain, the PRC. During the Period, the Group reviewed the project in Luofu Mountain, the PRC, and concluded that properties are intended for sale after completion of development and will be completed in normal operating cycle. On 28 August 2022, Dongguan Dongdi Health Industry Co., Ltd.（東莞市東帝健康產業有限公司）("**Dongguan Dongdi**") entered into an equity transfer agreement with an independent third party to dispose the 51% of the equity interest in Guangdong Huatai Health Industry Co., Ltd.（廣東驊泰健康產業有限公司）("**Guangdong Huatai**") and its subsidiaries it held, upon which, Guangdong Huatai, being the entity that holds (directly and indirectly) the properties under development, will cease to be a subsidiary of the Group. Please refer to the announcement of the Company dated 28 August 2022 and the paragraph headed "EVENTS AFTER THE REPORTING PERIOD" in this report.

14. SHORT-TERM LOANS RECEIVABLE

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Loans receivable		
With no guarantee *(note)*	**29,622**	29,622
Less: Allowance for expected credit losses	**(1,563)**	(1,267)
Carrying amount within one year	**28,059**	28,355

Notes:

Loans receivable are denominated in Hong Kong dollars and carried at fixed effective interest of 12% per annum.

Total short-term loans receivable at 30 June 2022 and 31 December 2021 was not past due. The amount due are based on the scheduled repayment dates set out in the loan agreements. All loans are repayable within one year.

15. TRADE PAYABLES

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

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
0 to 30 days	**23,919**	19,882
31 to 60 days	**9,207**	6,499
61 to 120 days	**1,228**	–
121 to 180 days	**1,056**	–
181 to 365 days	**730**	255
Over 365 days	**2,381**	2,671
	38,521	29,307

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

16. ACCRUALS AND OTHER PAYABLES/CONTRACT LIABILITIES

(A) ACCRUALS AND OTHER PAYABLES

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Accruals	**28,499**	33,483
Other payables *(note)*	**33,536**	31,024
	62,035	64,507

Note:

Other payables mainly comprised of approximately (a) HK$7,200,000 (31 December 2021: HK$10,100,000) payable for the bonds payable and (b) HK$12,440,000 (31 December 2021: HK$12,791,000) advance payment from independent third parties.

(B) CONTRACT LIABILITIES

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Contract liabilities *(note)*	**249,868**	211,162

Note:

At 30 June 2022, contract liabilities mainly comprised of approximately (a) HK$151,646,000 (31 December 2021: HK$148,931,000) of deferred income relating to postpartum care services; and (b) HK$98,222,000 (31 December 2021: HK$62,231,000) of deposits received from customers on sales of health preservation villas in Luofu Mountain based on the Group's pre-sale contracts signed up to 30 June 2022.

17. BANK AND OTHER BORROWINGS

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Bank borrowings, secured *(note (i))*	**816,451**	758,881
Other borrowings, unsecured *(note (ii))*	**41,533**	35,869
Total borrowings	**857,984**	794,750

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Carrying amount repayable:		
Within 1 year or on demand	**109,471**	102,124
Between 1 year to 5 years	**748,513**	692,626
	857,984	794,750

Notes:

(i) On 12 September 2019, Guangdong Goodtop Health Industry Group Limited (formerly known as "Guangdong Common Splendor Health Industry Group Limited") ("**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 RMB340,000,000. The bank loans were secured by following:

(a) a pledge of 88.5184% shares of Shenzhen Aidigong;

(b) personal guarantee by related parties; and

(c) corporate guarantee by its wholly-owned subsidiaries, Guangdong Common Splendor Supply Chain Management Limited and Dongguan Great King Health Industry Company Limited.

The principal was due between 2020 and 2026 and the annual interest rate of above loans ranged from 6.89% to 7.11%, of which HK$363,118,000 was utilised as at 30 June 2022 (31 December 2021: HK$402,435,000).

17. BANK AND OTHER BORROWINGS *(CONTINUED)*

Notes: (Continued)

As at 30 June 2022, Huizhou Huatai Properties Limited（惠州市驊泰置業有限公司）("**Huizhou Huatai**") as borrower, a wholly owned subsidiary of Guangdong Huatai with Dongguan Rural Commercial Bank Co., Ltd ("**DRC Bank**"), entered into loan facilities of up to an aggregate principal amount of RMB400,000,000. The Group provided guarantees and Mr. Cheung provided personal guarantees to the loan facilities and the bank facilities were secured by the subsidiaries of the Company. The principal was due between 2021 and 2027 and the interest rate of the above loan charged 6.65%, of which HK$453,333,000 was utilised as at 30 June 2022 (31 December 2021: HK$356,446,000). On 28 August 2022, Dongguan Dongdi entered into an equity transfer agreement with an independent third party to dispose the 51% of the equity interest in Guangdong Huatai and its subsidiaries it held, upon which, Guangdong Huatai will cease to be a subsidiary of the Group and guarantees provided by the Group and Mr. Cheung shall be released respectively. Please refer to the announcement of the Company dated 28 August 2022 and the paragraph headed "EVENTS AFTER THE REPORTING PERIOD" in this report.

(ii) At 30 June 2022, the other borrowings of RMB10,000,000 (equivalent to approximately HK$11,714,000) (31 December 2021: RMB10,000,000 (equivalent to approximately HK$12,269,000)) and HK$29,819,000 (31 December 2021: HK$23,600,000) were provided by independent third parties. The interest rates were charged from 9.00% to 14.00% (31 December 2021: 9.00% to 13.00%) per annum. The principal is repayable within one year.

The Group's borrowings are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Hong Kong Dollar	**29,819**	23,600
RMB	**828,165**	771,150
	857,984	794,750

18. BONDS PAYABLE

During the Period, the Company, through an independent placing agent issued coupon bonds for an aggregate principal amount of HK$25,200,000 (Year ended 31 December 2021: HK$21,000,000), which carry a fixed coupon interest rate of 7% per annum (Year ended 31 December 2021: 7% per annum) respectively, The bonds are unsecured and will mature on the date falling on the second and third anniversary of the date of issue of the bonds. The net proceeds are intended to be used for general capital of the Group. The bonds are subsequently measured at amortised cost.

As at 30 June 2022, the bonds payable with principal amount of HK$96,100,000 will be due between July 2022 and March 2025. The effective interest rates are ranging from 11.50% to 15.89% (31 December 2021: 11.50% to 15.89%).

Chairman's Statement

This is going to be a concise management review. Such concise review is based on our clear and profound insight as we have an in-depth understanding of the present and a clear perspective about the future. With this, we calmly faced the reality and actively layout the future, which are our keynotes and keywords.

I believe that we all know very well the current environment we are facing without saying much. Over the past period of time, we, like many enterprises, have experienced the toughest challenges, and despite the magnitude of the challenges, our team can proudly say that we have responded perfectly and has passed the test, which proved once again that this is a fleet that one can sail far.

During the past six months, the reality was, in terms of revenue, we were affected by the epidemic in two key aspects, namely orders and occupancy.

As we operate in a business which requires relatively long-term occupancy, it is important for the customers to have a full tour and understanding of the premises where she will be residing, but the recurrence of the epidemic and the uncertain geographical controls render such tour uncertain. Since some of the customers were unable to complete the tour, the reason of which may include her inability to leave her residence or to pass certain roads, or to enter the premises where we are located, this has ultimately resulted in dampening our orders.

Based on our estimation, we lost tremendous amount of orders due to the epidemic control measures in different locations in six months. Without the recurring impacts of the epidemic, our occupancy rates would have been significantly better than the corresponding period last year.

At the same time, even if we have signed the contract, before the customer is about to move in, there is a possibility that the customer may not be able to because of their own residence or the area where the postpartum care centre is located due to uncertain epidemic control, leading to a large number of refunds. According to the financial audit, this portion of refunds amounted to approximately RMB31 million.

The revenue was generally influenced by the above two aspects. The cost and expense side, on the other hand, is a proactive choice on our part, and we did not deliberately attempt to reduce costs as some enterprises did.

Our relevant cost and expenses mainly come from three major sources: property rentals, payrolls and marketing expenses.

All of our properties and locations have been carefully selected. The historical operation has proven that we can achieve outstanding operating results in these properties within a relatively short period of time. Therefore, despite the pressure to operate, we remain confident that our future is bright, and we are reluctant to lightly terminate the leasing of properties in a market where we can grow quickly and have the opportunity to gain greater market share, which would be a reckless retreat. A great enterprise should be able to make a different choice from those who retreat at a critical moment in history, which is to stand firmly where the tide is lapping, and although the wind and rain are pounding, there will be sunny days if it persists.

As a result, during development of the epidemic, we did not actively terminate any leasing of the properties. On the contrary, we made active progresses as we have sufficient confidence in our cash flow and customers' demand and reliance on us, and we are not willing to lose our position easily.

As for the labour payrolls, I want to express that the Aidigong team is the best team in postpartum care centres in China after continuous refinement of 16 long years and they are more precious than gold. Layoff is an easy decision to make but with such an elite team with meritorious contributions, we cannot and should not conduct large-scale layoffs emotionally and rationally. They will spare no efforts in making contributions in the upcoming expansion after the rainstorms.

The third source is marketing expenses. Due to the uncertainties of the epidemic, the management and control measures in relevant regions are uncertain and their influence on customers' activities is also uncertain. We can only conduct indiscriminate marketing and should not select or reduce marketing at the preliminary stage as it may adversely affect our results. Besides, we shall let the market and consumers know that we are always here. Some may go away and some may withdraw but we are always reliable. Hence, whether it is property, labour or marketing, we will conduct technical refinement but will never take a strategic step back.

It may just be a concept at the beginning of the epidemic but it has now become a rational business option after more than two years.

All of the above is the so-called facing the reality calmly. The greatest investors are those who have experienced various cycles. As a matter of fact, it is the same for entrepreneurs like us. Enterprises that pursue long-term development are those that have experienced various cycles. For an emerging industry like postpartum care centres, there is still a long way to go. Only those who can stay calmly and containedly amid fluctuations will win in the end.

In fact, over the past ten years, the time today is not the worst time. In the initial period of the postpartum care centre market in the past 16 years, we have experienced at least three to four darkest periods. Every darkest period that we surpassed had facilitated our nirvana and made us stronger.

Most important of all is to layout the future proactively. In the first half year, on one hand we braved the surging waves and planned future layout on the other hand. Not only are we not afraid, we are not halting our development. We laid out two experimental settings in the first half of this year, which will be our two business lines in the future. Currently, we have yet to define their existence with new brands as their significance is far more than just naming them as new brands, in which both represent the reshaping and definition of the postpartum care centre market in China.

The reproduction market in China is experiencing significant changes, but most market players and enterprises in the industry have not realised such profound changes. I am willing to share my understanding and reveal to everyone the experiment that we are undergoing. There will be two distinct reproduction groups in the reproduction market in China and their behaviours will vary tremendously.

As a leading enterprise of postpartum care service provider and pioneer in postpartum care centres in China, I feel that the unprecedented changes will mark the initiation of a new era. If the postpartum care industry in China could appreciate such profound changes, it will comprehensively enter into the second generation of postpartum care centres in China.

What will be the pattern faced by the second generation postpartum care centre in China? The reproduction group will be clearly divided into groups of first-birth and multi-births. Due to differences in ages, mentalities and consumption behaviours, their choices on postpartum care centres are different. The customers in the first-birth group are younger and prefer to have their functional needs addressed during the postpartum care period. They wish to receive entry-level services with a simple structure and prefer simple, joyful and youthful postpartum care centres instead of artificial, luxurious and overly complicated service experience.

The second group includes multiple-births mothers who are characterized by having experienced once or more childbirths, are familiar with the whole process and are less overwhelmed and fearful. What they need is a more comprehensive experience. They also place more focus on themselves and consider postpartum as a comprehensive physical and mental adjustment. During the process, we need to provide them with comprehensive mental and physical heath care.

Further to the aforementioned, in the first half of this year, we have completed two experiments of which these two experimental postpartum care centres are for the business lines of first-birth and multi-birth group. These two experimental new postpartum care centres are located in two different regions of two cities in Guangdong respectively. We are pleased to report that our trial has achieved preliminary success. Upon concluding and reflecting the experiences, we will adopt and expand these two experimental centres in the second half of the year, at which time we will share the results of our trial and the progress of the expansion plan in due course.

In summary, facing the reality calmly and laying out the future positively are like two sides of a coin and we are perfectly and skillfully balancing them. We hold an umbrella with one hand and an infant named “tomorrow” with the other. Despite gale and pouring rain, the infant is growing up healthily. What I want to tell you is Aidigong is no longer a battleship since the first half of this year and will become a fleet and battle group as the two experimental business lines gradually improve. They will recycle resources, provide mutual assistance and advance in tandem. It will initiate a magnificent battle in the vast land with different groups and regions.

Previously, I was the captain of the battleship and I am now the commander of the entire fleet. In the second half of this year and the first half of the following year, you will see more members of the fleet. Like thousands of mothers and families choosing us, I want to say that those who understand us know that we will always deliver our promises.

If you are an investor, please remember that you own a part of the enterprise, which includes its current obligations as well as its future results. Thank you for your companion and looking forward to advancing together with you.

Management Discussion and Analysis

BUSINESS REVIEW

POSTPARTUM CARE SERVICES BUSINESS

REVENUE FROM POSTPARTUM CARE SERVICES BUSINESS INCREASED SLIGHTLY BUT A LOSS IS RECORDED DUE TO THE EPIDEMIC

During the Period, the revenue of the postpartum care services business increased by 3.86% to HK$327.0 million and net loss amounted to HK$18.6 million. The growth in revenue was mainly attributable to the new revenue contribution of new postpartum care centres. The net loss is due to the phased epidemic control measures that restricted the supply of postpartum care rooms for some centres, resulting in customers being unable to check in as scheduled. Despite good reservation status, the inability to realise revenue during the controlled period resulted in a decline in profit. At the same time, the new postpartum care centres opened in the second half of last year suffered losses which are still in the early stage of opening and in the process of growing the occupancy rate, thus eroding the profits of other existing centres and affecting the overall profits.

The number of postpartum care rooms for the Period was as follows:

	As at 30 June 2022
Postpartum care centres	**Postpartum care rooms**
Shenzhen Silver Lake Courtyard（深圳銀湖院）	48
Shenzhen Nanshan Courtyard（深圳南山院）	149
Beijing Shunyi Courtyard（北京順義院）	54
Chengdu Concept I Courtyard（成都概念一院）	68
Shenzhen Qiaochengfang Courtyard（深圳僑城院）	70
Chengdu Concept II Courtyard（成都概念二院）	26
Beijing Nogin Courtyard（北京諾金院）	72
Shenzhen Flower Township Courtyard（深圳花卉小鎮院）	89
Shenzhen Futian Courtyard（深圳福田院）	103
Total	**679**

BUSINESS REVIEW *(CONTINUED)*

POSTPARTUM CARE SERVICES BUSINESS (CONTINUED)

SHENZHEN QIAOCHENGFANG LUXURY COURTYARD IS FAVOURABLE BY CONSUMERS AND CONTINUED TO MEET PROFITABILITY TARGETS, PROVING THE SUCCESS OF THE ULTRA-LIGHT ASSET MODEL

In April 2021, for the first time, the Group commenced the running of postpartum care centres under the ultra-light asset model (i.e. involving the operation of postpartum care centres through the leasing of decorated properties). As the Group is no longer required to take up any decoration, the preparation period for opening Aidigong postpartum care centres is shortened from over six months in the past to within two months. The Shenzhen Qiaochengfang Luxury Courtyard, the first Aidigong postpartum care centre under the ultra-light asset model, commenced its operation in just 41 days. The Shenzhen Qiaochengfang Luxury Courtyard is located in the Overseas Chinese Town zone in Shenzhen with 70 postpartum care rooms. As the Group only needed to make functional changes and add facilities to the property, the investment amount of the postpartum care centre is over 70% lower than Aidigong postpartum care centres of the same scale in its history with only the spending of RMB15 million to achieve its commencement of business. Qiaochengfang Luxury Courtyard achieved monthly profitability in September 2021, being the sixth month since its opening. As of July 2022, Shenzhen Qiaochengfang Luxury Courtyard has achieved 11 months of sustainable profitability.

In the fourth quarter of 2021, the Group continued to lease five-star hotels to open Shenzhen Flower Township Courtyard and Beijing Nogin Courtyard respectively. In the first quarter of 2022, the Group leased five-star hotel rooms again to open Shenzhen Futian Courtyard.

BUSINESS REVIEW *(CONTINUED)*

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 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, comprising mainly saleable health preservation villas and health preservation bungalows. The project has obtained approximately 123 mu（畝）of residential land with a land use term of 70 years. The project has successively obtained pre-sale permits for some health preservation villas and has commenced sales since May 2021. The average pre-sale price is over RMB20,000 per square meter. However, due to the continuing impact of the epidemic and the negative impact of the real estate policy and the overall market, the sales of the villa were not materialised as planned during the Period. Considering that the significant decline in the overall sales of the real estate industry would lead to a slow recovery of project capital and that such project still requires substantial funding, on 28 August 2022, the Board agreed to dispose the 51% interest held by the Group in such project, so as to focus the Group's resources and efforts on the operation of postpartum care service business. For details, please refer to the announcement of the Company dated 28 August 2022.

Other investment project currently held by the Group includes Prance Dragon Medical Group which is owned by the Group as to 9.47%. Prance Dragon Medical Group which owns JP Partners Medical Group, runs medical services in Hong Kong, operating an aggregate of 15 chinese medical clinics, 14 western medical clinics, 6 dentals clinics, 1 wholly-owned endoscopy centre, 4 jointly established endoscopy centres, and provides outreach services to more than 70 elderly homes. Its performance was stable during the Period.

During the Period, no revenue was generated from medical anti-aging and healthcare industry investments (2021: HK$5,348,000). Such decrease was mainly due to the disposals of part of the business of this segment of the Group in the first half of 2021.

FINANCIAL REVIEW

RESULTS

Revenue for the Period was approximately HK$328,791,000 (2021 Period: HK$324,058,000), increased by approximately HK$4,733,000 or 1.5% as compared to that of 2021 Period. Gross profit for the Period was approximately HK$55,190,000 (2021 Period: HK$128,235,000), decreased by approximately HK$73,045,000 or 57.0% as compared to that of 2021 Period. The gross profit margin of the Group for the Period was 16.8% (2021 Period: 39.6%). The decrease in revenue and gross profit for the Period was due to the phased epidemic control measures restricted the supply of postpartum care rooms for some centres, resulting in customers being unable to check in as scheduled. Despite good reservation status, the inability of some centres to realize revenue during the controlled period resulted in a decline in profit. At the same time, the new postpartum care centres opened in the second half of last year suffered losses which are still in the early stage of opening and in the process of growing the occupancy rate, thus eroding the profits of existing centres and affecting the overall profits.

OTHER INCOME

Other income for the Period was approximately HK$11,698,000 (2021 Period: HK$8,296,000), representing an increase of approximately HK$3,402,000 or 41.0% as compared to that of 2021 Period. The increase was mainly due to increase in the rental income and government grants.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period were approximately HK$37,972,000 (2021 Period: HK$28,462,000), representing an increase of approximately HK$9,510,000 or 33.4% as compared to that of 2021 Period. Such increase was mainly from non-cash expenses related to share award scheme.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Period were approximately HK$63,755,000 (2021 Period: HK$62,894,000), representing an increase of approximately HK$861,000 or 1.4% as compared to that of 2021 Period, which remained stable compared to the same period last year.

FINANCIAL REVIEW *(CONTINUED)*

SHARE OF RESULTS OF ASSOCIATES

No share of results of associates for the Period (2021 Period: loss of HK$794,000) as the associates that incurred losses were sold during 2021.

FINANCE COSTS

Finance costs for the Period were approximately HK$34,881,000 (2021 Period: HK$32,900,000), representing an increase of approximately HK$1,981,000 or 6.0% as compared to that of 2021 Period. Finance costs mainly include interest on bonds payable of approximately HK$5,932,000 (2021 Period: HK$8,741,000), interest on bank and other borrowings of approximately HK$15,178,000 (2021 Period: HK$15,790,000) and non-cash interest expense on lease liabilities of approximately HK$13,771,000 (2021 Period: HK$8,369,000).

(LOSS)/PROFIT BEFORE TAX

Compared with profit before income tax of approximately HK$38,755,000 for the 2021 Period, loss before income tax of the Group for the Period was approximately HK$69,720,000, representing a decrease of approximately HK$108,475,000, which was mainly because (i) the phased epidemic control measures restricted the supply of postpartum care rooms for some centres, resulting in customers being unable to check in as scheduled. Despite good reservation status, the inability to realize revenue during the controlled period resulted in a decline in profit. At the same time, the new postpartum care centres opened in the second half of last year suffered losses which are still in the early stage of opening and in the process of growing the occupancy rate, thus eroding the profits of other existing centres and affecting the overall profits; (ii) compared to the 2021 Period, the Group did not have a gain on disposal of subsidiaries and associates during the Period which were HK$27.27 million; and (iii) non-cash expenses related to share award scheme for the Period amounted to approximately HK$12.00 million.

Basic and diluted loss per share attributable to the equity holders of the Company for the Period were both HK1.43 cents (2021 Period: basic and diluted earnings per share: both HK0.61 cents).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (2021 Period: Nil).

FINANCIAL HIGHLIGHT

NET ASSETS VALUE

As at 30 June 2022, the net assets of the Group was approximately HK$1,171,498,000 (31 December 2021: HK$1,249,743,000), representing a decrease of approximately HK$78,245,000 as compared to the net assets of the Group as at 31 December 2021. The decrease was mainly due to (i) comprehensive expense of approximately HK$88,992,000 for the Period; and (ii) this expense was partially offset by the issue of shares of approximately HK$12,000,000 under the Share Award Scheme.

Net assets value per issued ordinary share of the Company as at 30 June 2022 was approximately HK$0.27 (31 December 2021: HK$0.29).

As at 30 June 2022, the current ratio of the Group (calculated as current assets divided by current liabilities) was 1.87 (31 December 2021: 2.03).

EQUITY

The number of issued ordinary shares of the Company (the "**Shares**") as at 30 June 2022 was 4,315,014,974 Shares (31 December 2021: 4,285,014,974 Shares).

On 30 May 2022, pursuant to an incentive agreement (the "**Incentive Agreement**") entered into between the Company and Hongchang International Investment Limited (the "**Zhu Associate**") dated 27 October 2020, the Company issued and awarded to Zhu Associates 30,000,000 incentive shares (the "**Incentive Shares**"). Zhu Associate has undertaken on a voluntary basis to be subject to lock-up undertakings made in favour of the Company, that it will not directly or indirectly transfer, sell or otherwise dispose of the Incentive Shares within three years from the date of issuance of the relevant Incentive Shares. For details, please refer to the paragraph headed "CONNECTED TRANSACTION" in this report, circular of the Company dated 8 December 2020 and the announcements of the Company dated 27 October 2020 and 23 May 2022.

FINANCIAL HIGHLIGHT *(CONTINUED)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group has a principal amount of HK$96,100,000 (31 December 2021: HK$78,000,000) unsecured bonds payable, approximately HK$816,451,000 (31 December 2021: HK$758,881,000) secured bank loan and HK$41,532,000 (31 December 2021: HK$35,869,000) unsecured other borrowings.

Save as disclosed above, the Group did not have any other borrowing as at 30 June 2022. The gearing ratio of the Group was 1.31 as at 30 June 2022 (31 December 2021: 1.03). The gearing ratio is calculated as total borrowings divided by total equity.

The Group maintains sufficient working capital and cash position for daily operations. Bank and cash balances as at 30 June 2022 amounted to approximately HK$92,104,000 (31 December 2021: HK$87,627,000).

In addition to the above bank and cash balances, as at 30 June 2022, the Group held structured bank deposits ("**SBDs**") of approximately HK$48,716,000 (31 December 2021: HK$69,344,000) 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. Such structured bank deposits are principal protected, either redeemable on demand or have a maturity date ranged from three to seven months.

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 or any other material financial instruments for hedging foreign exchange risks purpose. The Group is not exposed to material fluctuations risks in exchange rates.

FINANCIAL HIGHLIGHT *(CONTINUED)*

REMUNERATION POLICIES, SHARE OPTION SCHEME AND SHARE AWARD SCHEME

As at 30 June 2022, the Group has a total of 1,559 employees (31 December 2021: 1,582). 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$113,864,000 (2021: HK$86,231,000).

At the annual general meeting of the Company held on 28 June 2022, the shareholders of the Company (the "**Shareholders**") approved, among other things, (1) the termination of the share option scheme adopted on 11 October 2012 (the "**Old Share Option Scheme**"); and (2) the adoption of the new share option scheme (the "**New Share Option Scheme**"). No options were granted, outstanding, exercised, cancelled or lapsed under the Old Share Option Scheme since its adoption. For details, please refer to the circular of the Company dated 6 June 2022.

According to the terms of the New Share Option Scheme, its purpose is to provide incentives or rewards to Eligible Participants (as defined in the New Share Option Scheme) for their contribution to the Group. Eligible Participants include any employees, executives or officers of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries). Unless otherwise cancelled or amended, the New Share Option Scheme will remain in force for 10 years from the effective date.

As at 30 June 2022, no share option was granted exercised, cancelled or lapsed and no share option was outstanding under the New Share Option Scheme.

In addition, the Board has approved the adoption of a share award scheme (the "**Scheme**") on 5 July 2018 and it was approved by the Shareholders 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. In January 2022, the Company granted 2,100,000 award shares to a selected participant.

For the purpose of the Scheme, the trustee of the Scheme has purchased on the open market an aggregate of 3,776,000 Shares representing approximately 0.09% of the issued share capital of the Company as at 30 June 2022. For details, please refer to the paragraph headed "PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES" of this report and the voluntary announcements of the Company dated 26 May 2022, 27 May 2022, 30 May 2022 and 2 June 2022. As at 30 June 2022, the total number of Shares held by the trustee under the Scheme for the purpose of setting aside a pool of Shares available for allocation to selected participants was 3,776,000 Shares.

FINANCIAL HIGHLIGHT *(CONTINUED)*

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, a wholly-owned subsidiary of the Company, as borrower, with 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 to acquire Shenzhen Aidigong Maternity Health Management Co., Ltd.*（深圳愛帝宮母嬰健康管理有限公司)("**Shenzhen Aidigong**"). Guangdong Goodtop provided share pledge over 88.5184% share interests in Shenzhen Aidigong. The Company and its subsidiaries provided guarantees and Mr. Cheung Wai Kuen ("**Mr. Cheung**"), the executive Director, provided personal guarantees to the loan facilities.

In addition, as at 30 June 2022, Huizhou Huatai Real Estate Co., Ltd.(惠州市驊泰置業有限公司）("**Huizhou Huatai Real Estate**"), a wholly owned subsidiary of Guangdong Huatai which was in turn owned as to 51% by Dongguan Dongdi, an indirect wholly-owned subsidiary of the Company, obtained loan facilities of an aggregate amount of approximately RMB400 million from DRC Bank for the development of the project in Luofu Mountain. The Group provided guarantees and Mr. Cheung provided personal guarantees to the loan facilities and the bank facilities were secured by the subsidiaries of the Company. On 28 August 2022, Dongguan Dongdi entered into an equity transfer agreement with an independent third party to dispose the 51% of the equity interest in Guangdong Huatai it held, upon which, Guangdong Huatai will cease to be a subsidiary of the Group and guarantees provided by the Group and Mr. Cheung shall be released respectively. Please refer to the announcement of the Company dated 28 August 2022 and the paragraph headed "EVENTS AFTER THE REPORTING PERIOD" in this report.

The provision of such personal guarantees constitutes 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 exempt 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 2022 and 31 December 2021.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liability (31 December 2021: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

For the Period, the Group did not make any material acquisitions and disposals of subsidiaries and associates.

OTHER INFORMATION

ESTABLISHMENT OF A NEW AIDIGONG POSTPARTUM CARE CENTRE IN FOSHAN

In March 2022, a subsidiary of the Company has leased a single independent building from a commercial property operation, the location of which is in the Shunde district of Foshan City, Guangdong Province, the People's Republic of China, for the establishment of a new postpartum care centre under the brand name of "Aidigong". It is expected to open in the second half of 2022. For details, please refer to the voluntary announcement of the Company dated 31 March 2022.

EVENTS AFTER THE REPORTING PERIOD

DISPOSAL OF SUBSIDIARIES

On 28 August 2022, Dongguan Dongdi entered into an equity transfer agreement with an independent third party to dispose the 51% equity interests in Guangdong Huatai and its subsidiaries, being Huizhou Chuangxing Zhongliang Real Estate Co., Ltd.(惠州市創興中量置業有限公司), Huizhou Huatai Health Service Co., Ltd.(惠州市驊泰健康服務有限公司) and Huizhou Huatai Real Estate (collectively as the "**Disposal Group**") held by Dongguan Dongdi at a consideration of RMB90 million. Upon completion, the Company will cease to hold any interest in the Disposal Group, and accordingly, the financial results of the Disposal Group will no longer be consolidated into the Group's consolidated financial statements. It is estimated that the Disposal will realise a gain of approximately HK$3,287,000 from the Disposal. For details, please refer to the Company's announcement dated 28 August 2022.

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

EVENTS AFTER THE REPORTING PERIOD *(CONTINUED)*

PROPOSED ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE

On 9 September 2022, the Company entered into a subscription agreement with Zhuhai Deyou Bohui Enterprise Management Consulting Centre (Limited Partnership)*（珠海德佑博暉企業管理諮詢有限公司（有限合夥））(the "**Subscriber**"), pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe, or procure its affiliate to subscribe for the convertible preference shares (comprising Class A Convertible Preference Shares and Class B Convertible Shares (as defined in the announcement of the Company dated 9 September 2022), collectively the "**Convertible Preference Shares**") for an aggregate consideration of HK$224,719,101.6, representing the subscription price of HK$0.5 per Class A Convertible Preference Shares and HK$0.7 per Class B Convertible Shares. No listing will be sought for the Convertible Preference Shares on the Stock Exchange or any other stock exchange.

The net proceeds from the issue of the Convertible Preference Shares are estimated to be approximately HK$222,719,000 and the Group intends to apply approximately 70% of the net proceeds to repay its debts and the remaining net proceeds for general working capital purpose. For details, please refer to the announcement of the Company dated 9 September 2022.

ISSUANCE OF NEW SHARES UNDER SPECIFIC MANDATE PURSUANT TO INCENTIVE AGREEMENT

On 9 September 2022, the Company announces that the Company will issue and award to Zhu Associates, pursuant to the Incentive Agreement, 30,000,000 Incentive Shares. For details, please refer to the circular of the Company dated 8 December 2020 and the announcements of the Company dated 27 October 2020 and 9 September 2022.

DIRECTORS' AND CHIEF EXECUTIVE(S)' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, laws of Hong Kong) ("**SFO**") or pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or otherwise required to notify the Stock Exchange pursuant to the Model Code are as follows:

	Number of Shares					
Name of Director	Ordinary Shares	Underlying Shares	Total	Capacity	*Note*	Percentage of issued share capital
Mr. Cheung	830,379,671	–	830,379,671 (L)	Interest of controlled corporation	*1*	19.24%
Ms. Zhu	555,151,755	–	555,151,755 (L)	Beneficial owner and interest of controlled corporation	*2*	12.87%

Notes:

(1) Mr. Cheung, through his controlled corporation, Champion Dynasty Limited ("**Champion Dynasty**") is deemed to be interested in 830,379,671 Shares held by Champion Dynasty. 830,379,671 Shares registered in the name of Champion Dynasty were charged in favour of Golden Full Holdings Limited ("**Golden Full**") pursuant to a share charge made by Champion Dynasty as chargor based on a share charge agreement dated 8 January 2020 and 25 June 2021.

(2) Mr. Zhu is (i) beneficially interested in 255,151,755 Shares; (ii) deemed to be interested in 200,000,000 Shares through Hongchang International Investment Limited; and (iii) deemed to be interested in 100,000,000 Shares through Hongyuan Investment Limited, both her controlled corporations.

(3) The letter "**L**" denotes the long position in shares of the Company held by that person.

Save as disclosed above, as at 30 June 2022, none of the Directors, chief executives of the Company, nor their associates, had or were deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), that was required to be recorded in the register maintained by the Company under section 352 of the SFO, or otherwise notified the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S INTEREST IN THE SECURITIES OF THE COMPANY

As at 30 June 2022, so far as are known to any Director or chief executives of the Company, the following party (other than the Directors or chief executives of the Company) was recorded in the register maintained by the Company under section 336 of the SFO, or as otherwise notified the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share of the Company:

Name of substantial Shareholder	Number of ordinary shares of the Company	Capacity	*Notes*	Percentage of issued share capital
Wang Aier	1,228,684,050 (L)	*(Notes 1 and 2)*	*1, 2*	28.47%
Champion Dynasty	830,379,671 (L)	Beneficial owner	*1*	19.24%
Golden Full	830,379,671 (L)	*(Notes 1 and 2)*	*1, 2*	19.24%
Suntek Global Growth Fund SPC – Suntek Global Growth Fund Number One SP Limited	398,304,379 (L)	Investment manager	*3*	9.23%

Notes:

(1) Mr. Cheung is the sole director of Champion Dynasty and owned its entire issued capital. 830,379,671 Shares registered in the name of Champion Dynasty were charged in favour of Golden Full pursuant to a share charge made by Champion Dynasty as chargor based on a share charge agreement dated 8 January 2020 and 25 June 2021.

(2) 830,379,671 Shares were held by Wang Aier through Golden Full, which is wholly owned by Wang Aier, and 398,304,379 Shares were held by Wang Aier as a beneficial owner.

(3) According to the relevant Disclosure of Interest Notice ("**DI Notice**") in connection with the Company available on www.hkex.com.hk, as at 30 June 2022, Suntek Global Growth Fund SPC – Suntek Global Growth Fund Number One SP is interested in 398,304,379 Shares as an investment manager, which accounted for 9.23% of the Company's issued share capital based on 4,315,014,974 Shares in issue as at 30 June 2022.

(4) The letter "L" denotes the long position in shares of the Company held by that person.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any persons (who were not directors or chief executives of the Company) who had an interest or short position in the Shares, underlying Shares or bonds of the Company or its associated corporations which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Period, none of the Directors was interested in any business which competed or was likely to compete, either directly or indirectly, with the Group's businesses.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

There were no arrangements to which the Company, its subsidiaries, its holding company or its holding company's subsidiaries were a party to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate during the Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

At no time during the Period were rights to acquire benefits by means of the acquisition of Shares granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTION

On 27 October 2020, the Company entered into the Incentive Agreement with 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 report, approximately 4.63% of the issued share capital of the Company. The Company entered into the Incentive Agreement in order to increase the number of postpartum care centres operated under the brand name of "Aidigong" and expand its coverage for the provision of postpartum care services to more people. The incentive agreement was approved by the independent Shareholders at the special general meeting held on 28 December 2020. On 30 May 2022, the Company issued and awarded to Zhu Associates 30,000,000 Incentive Shares pursuant to the Incentive Agreement. For details, please refer to the announcement of the Company dated 23 May 2022.

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.

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 to 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 C.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 stepping down from his role as one of the joint chairmen of the Board with effect from 27 June 2021, Ms. Zhu Yufei has been an executive Director, the chairman of the Board and the chief executive officer since then. 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, apart from Ms. Zhu Yufei being the executive Director, comprises three other executive Directors and three independent non-executive Directors, all being 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 Scheme purchased on the open market a total of 3,776,000 Shares at a total consideration of HK$1,373,000 to satisfy the award of shares to selected employees. Details of the purchases during the Period are as follows:

Month of purchase	Number of shares purchased	Price per share Highest	Price per share Lowest	Aggregate price
		HK$	HK$	HK$'000
May 2022	2,980,000	0.375	0.345	1,078
June 2022	796,000	0.370	0.370	295

Save as disclosed above, during the Period, 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 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 external auditors of the Company. The audit committee of the Company, comprising 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 DIRECTORSHIPS

On 6 May 2022, Mr. Yang Zhibo has tendered his resignation as a non-executive Director, due to his other business commitments which require more of his attention and dedication. Details of which have been disclosed in the Company's announcement dated 6 May 2022.

On 8 August 2022, Mr. Wong Kin Man has tendered his resignation as a non-executive Director, due to his other business commitments which require more of his attention and dedication. Details of which have been disclosed in the Company's announcement dated 8 August 2022.

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, 31 August 2022

爱帝宫

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