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

(Incorporated in Bermuda with limited liability)

(Stock code: 286)

**SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTION
DISPOSAL OF 51% EQUITY INTEREST IN
GUANGDONG HUATAI HEALTH INDUSTRY CO., LTD***

Reference is made to the announcement of the Aidigong Maternal & Child Health Limited dated 28 August 2022 in relation to the disposal of the Disposal Company (the “**Announcement**”). Unless otherwise stated, all the capitalised terms used herein shall have the same meaning as those adopted in the Announcement.

The Board wishes to provide the supplemental information in relation to the Disposal.

Reasons and assessment for allowing the Completion to take place before the full consideration is received in full

As the Purchaser shall pledge the 51% equity interest in the Disposal Company in favour of the Vendor as security and such security can only be released upon the completion of all the payment obligations by the Purchaser, the Company is of the view that the share pledge offers a protection to the Company and pose minimum risk to the Group even though the Completion will take place before the Consideration is received in full. In the event the Purchaser fails to make full payment of the Consideration, the Group will be able to take back the 51% equity interest in the Disposal Company as security.

Further, the real estate development project owned by the Disposal Company still needs significant investments as project funds and the Purchaser will need to commit further capital to continue the development of the real estate projects in order to recognise revenue. It is expected a further capital amount of approximately RMB400,000,000 will be required in the next 18 months to continue the development for the real estate project. As the Group considers that it is not in its interest to devote further capital in this real estate development project, and it takes time for the Purchaser to develop and sell the properties, it has been agreed with the Purchaser that the Completion can take place before the Consideration is received in full.

Lastly, as the debts of the Disposal Group, including approximately RMB390 million bank loan, will no longer be related to the Group upon the Completion, the Group would be released from the guarantee for such bank debts. This would improve the Group's debt position and hence the Directors are of the view that the Disposal is beneficial to the Group and its Shareholders as a whole.

Further information of the Purchaser

The beneficial owners of the Purchaser have been engaged in the real estate industry in the PRC for a number of years and have good reputation. The Company is of the view that the Purchaser has the capability to market and sell the real estate properties of the Disposal Group, and will be able to make profits from the sale of the real estate properties in order to pay the Consideration.

In addition, the Purchaser informed the Group that the bank is willing to extend the loan to the Purchaser even after the Group is released from the guarantee in relation to the bank loans of the Disposal Group, which implies the bank is satisfied with the Purchaser's ability for loan repayment.

In view of the above, the Company is optimistic that the Purchaser will be able to make timely payments in accordance with the payment terms.

Further information of the Disposal Company and the Disposal Group

The net asset value of the Disposal Group as at 30 June 2022 was approximately HK\$170 million; and 51% of the equity interest of the Disposal Company was approximately HK\$86.7 million.

Further information of the gain on Disposal

The gain on disposal of approximately HK\$3.3 million is derived from deducting the net asset value of 51% equity interest in the Disposal Company of approximately HK\$86.7 million from the Consideration of HK\$90 million.

Further information of the loan owed by the Disposal Group

The loans owed by the Disposal Company to the Vendor are an interest-free shareholder's loan in an aggregate amount of approximately RMB100 million for the purpose of funding the capital needs of the real estate development projects of the Disposal Company. There is no fixed term of such shareholder's loan and the source of these loans came from the Group's internal resources.

The Purchaser undertakes to the Vendor that it will ensure all loans owned by the Disposal Company to the Vendor will be repaid in full within three years after Completion takes place. After taking into consideration the benefits of the Disposal as a whole, which include that there is no need for the Group to devote further capital in the real estate project and the Group's debt position will be improved after the Disposal, the Company is of the view that the repayment term of interest-free loan is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Board considers that the interest-free shareholder loans in an aggregate amount of approximately RMB100 million made to the Disposal Company does not constitute financial assistance under Chapter 14 of the Listing Rules on the basis that such loans were provided to the Disposal Company when the Disposal Company was still a subsidiary of the Company, therefore it is exempted under Rule 14.04(e)(ii) of the Listing Rules. The Company is of the view that the grant of such loans will only constitute financial assistance under Chapter 14 of the Listing Rules upon Completion has taken place. If any of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the loans granted to the Disposal Company is more than 5%, the Company would comply with the reporting and announcement requirement under Chapter 14 of the Listing Rules upon Completion took place.

Further information of reasons of Disposal

The real estate project developed by the Disposal Group are residential properties located at 5A-level scenic area in the south of Luofu Mountain in Huizhou City, Pearl River Delta, the PRC (珠三角惠州市的羅浮山南面5A級風景區), which consist of two parcels of land with an area of 47,960 sq. m. (the "**First Land**") and 34,273 sq. m. (the "**Second Land**"), respectively, and a total construction area of 108,577 sq. m. As at the date of this announcement, the construction of 88 villas has been completed on half of the Second Land, and the construction of residential properties involving a construction area of 73,715.33 sq. m. are in process on the First Land, which is expected to complete construction by mid-2023. The real estate project has already obtained the pre-sale certificate last year in respect of 55 villas on the First Land and 72 villas on the Second land, but the sales and delivery of the properties which have obtained the pre-sale certificate are not satisfactory, as approximately 80% of the properties still remain unsold as at the date of this announcement.

Due to the pandemic and travel restrictions imposed in the PRC, the number of potential buyers of the real estate properties have generally decreased, which negatively impacted the sales performance of the properties owned by the Disposal Company.

According to the National Bureau of Statistics, the market sales for real estate properties has declined rapidly in the second half of 2021, and such downturn will continue in the year of 2022. During the period from January to July 2022, the total construction area for residential properties in the PRC has decreased by approximately 36.8%, with the saleable area and sales amount of residential properties dropped by approximately 27.1% and 31.4%, respectively. The amount of funds obtained by real estate development enterprises in the PRC has also recorded a decrease of approximately 25.4% in the same period.

In view of the PRC regulatory authorities have promulgated new financing rule of “Three Red Lines”, which reflects a tightening environment for industry financing, some real estate enterprises have experienced liquidity crisis owing to the comprehensive and stringent real estate control policies.

Given the uncertainties as to the development of the pandemic outbreak, the downturn of the real estate market and the tightening real estate policies imposed by the PRC authorities, the Company is of the view that the real estate market is not expected to improve in the short term and will continue to have a negative impact on the Disposal Group’s financial performance, which will cause continuous financial pressure to the Group if it is not being disposed of.

By Order of the Board
Aidigong Maternal & Child Health Limited
Zhu Yufei
Chairman

Hong Kong, 30 September 2022

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

* *For identification purpose only*