Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

同方康泰產業集團有限公司
Tongfang Kontafarma Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1312)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Board") of Tongfang Kontafarma Holdings Limited (the "Company") announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 with the comparative figures for the corresponding period in 2017 are as follows. The interim financial results of the Group for the six months ended 30 June 2018 have not been audited, but have been reviewed by the audit committee of the Company (the "Audit Committee") and by the auditor of the Company, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Revenue	*(4)*	**1,142,831**	611,376
Cost of sales		**(869,278)**	(476,619)
Gross profit		**273,553**	134,757
Other income		**24,665**	18,452
Other gains and losses		**(2,575)**	(3,265)
Written off/ impairment losses of financial assets		**(46,307)**	(3,095)
Distribution and selling expenses		**(104,706)**	(45,824)
Administrative expenses		**(73,307)**	(65,244)
Other expenses		**(7,600)**	(6,034)
Finance costs		**(13,133)**	(9,181)
Share of results of associates		**(6,247)**	(1,201)
Share of results of a joint venture		**(8,346)**	(5,471)
Profit before taxation		**35,997**	13,894
Taxation	*(5)*	**(14,953)**	(6,373)
Profit for the period	*(6)*	**21,044**	7,521

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Cont'd)*
for the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		Unaudited	Unaudited
	Note	***HK$'000***	*HK$'000*
Other comprehensive (expense) income:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to presentation currency		**(8,693)**	39,543
Item that may be reclassified subsequently to profit of loss:			
Exchange difference arising on translation of foreign operations		**(2,983)**	(1,148)
Other comprehensive (expense) income for the period		**(11,676)**	38,395
Total comprehensive income for the period		**9,368**	45,916
(Loss) profit for the period attributable to:			
Owners of the Company		**(14,731)**	(8,361)
Non-controlling interests		**35,775**	15,882
		21,044	7,521
Total comprehensive income for the period attributable to:			
Owners of the Company		**(23,568)**	15,087
Non-controlling interests		**32,936**	30,829
		9,368	45,916
		HK cent	*HK cent*
Loss per share	*(7)*		
Basic		**(0.28)**	(0.17)
Diluted		**(0.28)**	(0.17)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018

	Note	At 30 June 2018 Unaudited *HK$'000*	At 31 December 2017 Audited *HK$'000*
Non-current assets			
Property, plant and equipment		**678,723**	690,533
Deposits for equipment and machineries		**81,245**	81,927
Prepaid lease payments on land use rights		**118,530**	107,140
Investment properties		**5,150**	5,276
Goodwill		**438,895**	439,160
Intangible assets		**327,219**	324,302
Interests in associates		**6,760**	13,007
Interests in a joint venture		**50,088**	21,093
Deferred tax assets		**4,324**	4,360
Rental deposits		**6,399**	5,127
Contract costs		**2,402**	–
Debt instruments at fair value through other comprehensive income		**15,711**	–
Pledged bank deposits		**2,220**	2,247
		1,737,666	1,694,172
Current assets			
Properties held for sale		**2,301**	2,321
Biological assets		**12,672**	4,761
Inventories		**93,044**	97,401
Trade receivables	*(9)*	**890,338**	532,671
Contract costs		**11,242**	–
Other receivables, deposits and prepayments		**124,239**	149,432
Loans receivables		**86,727**	178,878
Financial assets at fair value through profit or loss		**41,738**	114,720
Debt instruments at fair value through other comprehensive income		**15,638**	–
Prepaid lease payments on land use rights		**3,308**	3,289
Amount due from a joint venture		**7,896**	7,972
Amount due from an associate		**63,032**	34,667
Amounts due from other related parties		**178,968**	208,961
Pledged bank deposits		**103,939**	33,515
Cash and cash equivalents		**199,228**	381,450
		1,834,310	1,750,038

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
at 30 June 2018

	Note	At 30 June 2018 Unaudited *HK$'000*	At 31 December 2017 Audited *HK$'000*
Current liabilities			
Trade and bills payables	*(10)*	**441,516**	207,512
Other payables and deposits received		**100,196**	123,782
Amount due to an intermediate holding company		**16,855**	17,011
Amounts due to other related parties		**49,870**	57,974
Tax liabilities		**98,519**	87,292
Bank and other borrowings due within one year		**659,310**	629,518
Obligations under finance leases		**1,011**	1,504
Deferred income		**500**	114,721
Contract liabilities		**108,209**	–
		1,475,986	1,239,314
Net current assets		**358,324**	510,724
Total assets less current liabilities		**2,095,990**	2,204,896
Capital and reserves			
Share capital		**11,188**	9,900
Share premium and reserves		**1,380,713**	1,214,123
Equity attributable to owners of the Company		**1,391,901**	1,224,023
Non-controlling interests		**540,046**	624,689
Total equity		**1,931,947**	1,848,712
Non-current liabilities			
Bank and other borrowings due after one year		**187**	175,484
Deferred taxation		**109,726**	113,537
Obligations under finance leases		**929**	1,910
Provision of reinstatement cost		**17,418**	18,943
Deferred income		**6,189**	46,310
Contract liabilities		**29,594**	–
		164,043	356,184
		2,095,990	2,204,896

Notes:

(1) Review by auditor

The condensed consolidated financial statements of the Group for the six months ended 30 June 2018 has been reviewed by our auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and an unmodified review conclusion has been issued.

(2) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA as well as 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").

(3) Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets that are measured at fair value and fair value less cost to sell at the end of each reporting period, and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of these new and amendments to HKFRSs did not have any material impact on the Group's condensed consolidated financial statements.

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) *HK$'000*	**HKFRS 15** *HK$'000*	**HKFRS 9** *HK$'000*	**1 January 2018 (Restated)** *HK$'000*
Non-current Assets				
Contract costs	–	3,878	–	3,878
Debt instruments at fair value through other comprehensive income	–	–	31,635	31,635
Current Assets				
Trade receivables	532,671	–	(1,950)	530,721
Other receivables, deposits and prepayments	149,432	–	(1,621)	147,811
Loans receivables	178,878	–	(3,110)	175,768
Amount due from a joint venture	7,972	–	(233)	7,739
Amount due from an associate	34,667	–	(1,014)	33,653
Amounts due from other related parties	208,691	–	(4,478)	204,213
Contract costs	–	12,220	–	12,220
Financial assets at fair value through profit or loss	114,720	–	(31,635)	83,085
Current Liabilities				
Other payables and deposits received	123,782	(18,711)	–	105,071
Contract liabilities	–	131,908	–	131,908
Deferred income	114,721	(114,721)	–	–
Tax liabilities	87,292	(135)	–	87,157
Capital and reserves				
Share premium and reserves	1,214,123	(133)	(7,808)	1,206,182
Non-controlling interests	624,689	(113)	(4,598)	619,978
Non-current Liabilities				
Contract liabilities	–	57,621	–	57,621
Deferred income	46,310	(39,618)	–	6,692

(4) Revenue and segment information

Disaggregation of revenue

	Six months ended 30 June 2018 Unaudited ***HK$'000***
Geographical markets	
People's Republic of China ("PRC")	**938,862**
Singapore	**203,969**
Total	**1,142,831**
Timing of revenue recognition	
A point in time	**924,815**
Overtime	**218,016**
Total	**1,142,831**

Revenue represents the sales amount from (1) manufacturing and sales of prescription drugs and laboratory related products; (2) operating of fitness centres and provision of consultation services for fitness and health activities (such as monthly membership fees, trial classes and personal training classes); and (3) manufacturing and sales of cement and clinker and trading of cement, net of discount and sales related tax.

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Manufacture and sales of prescription drugs and laboratory related products	**240,337**	144,292
Operating of fitness centres and provision of consultation services for fitness and health activities	**188,266**	28,076
Royalty fee income in relation to fitness and health activities in Taiwan	**28,274**	4,404
Service fee income in relation to fitness and health activities in Taiwan	**1,476**	299
Manufacture and sales of cement and clinker	**158,175**	141,759
Trading of cement	**526,303**	292,546
	1,142,831	611,376

During the six months ended 30 June 2018, the directors, being the chief operating decision maker, had assessed the Group's operations and measurement of financial performance assessment and identified (1) medical, pharmaceutical and health business; (2) fitness business; and (3) cement business as three separate operating and reportable segments of the Group.

(4) Revenue and segment information *(Cont'd)*

The operating business organised and managed in each segment represents a strategic business unit that offers different products and services for the purpose of resource allocation and assessment of segment performance. The Group has following operating and reportable segments:

- Medical, pharmaceutical and health business – manufacture and sales of prescription drugs and laboratory related products.
- Fitness business – operate fitness centres and provide consultation services for fitness and health activities and operate the franchise business for royalty and service fee income.
- Cement business – manufacture and sales of cement and clinker and trading of cement.

No operating segments identified have been aggregated in arriving at the reportable segments of the Group.

Segment revenue and results

Analysis of the Group's segment revenue and results for the six months ended 30 June 2018 and 2017 is as follows:

	Medical, pharmaceutical and health business		**Fitness business**		**Cement business**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue from external customers	**240,337**	144,292	**218,016**	32,779	**684,478**	434,305	**1,142,831**	611,376
Segment results	**28,947**	7,824	**36,235**	3,467	**4,948**	29,614	**70,130**	40,905
Unallocated corporate income							**2,078**	484
Unallocated corporate expenses							**(23,078)**	(18,314)
Finance costs							**(13,133)**	(9,181)
Profit before taxation							**35,997**	13,894

There was no inter-segment sales during the six months ended 30 June 2018 and 30 June 2017. The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit from each segment without allocation of unallocated corporate income and expenses, and finance costs. This is the measure reported to the chief operating decision makers of the Company for the purposes of resource allocation and performance assessment.

(5) Taxation

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	HK$'000	*HK$'000*
The (charge) credit comprises:		
Current tax		
– PRC Enterprise Income Tax	**(9,916)**	(3,043)
– Singapore Corporate Income tax	**(8,984)**	–
	(18,900)	(3,043)
Overprovision in prior years		
– PRC Enterprise Income Tax	**615**	–
Deferred tax	**3,332**	(3,330)
	(14,953)	(6,373)

(6) Profit for the period

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	**3,740**	1,448
Depreciation of investment properties	**85**	78
Depreciation of property, plant and equipment	**31,514**	20,800
Total amortisation and depreciation	**35,339**	22,326
Allowance for doubtful debts	**860**	3,095
Cost of inventories recognised as expenses	**710,809**	446,212
Release of prepaid lease payments on land use rights	**1,710**	1,562
Net loss on disposal and write-off of property, plant and equipment	**3,044**	478
Net foreign exchange loss	**2,342**	1,577
Property rental income net of negligible outgoing expenses	**(1,848)**	(2,069)
Operating lease rentals in respect of premises	**51,662**	11,195
Written off of loan receivable	**45,447**	–

(7) Loss per share

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

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share attributable to owners of the Company	**(14,731)**	(8,361)

	Six months ended 30 June	
	2018	2017
	Shares	Shares
Number of shares		
Weighted average number of ordinary shares for the purposes of loss per share	**5,326,273,883**	4,945,757,735

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the share award scheme (the "Share Award Scheme").

For the period ended 30 June 2018 and 2017, the computation of the diluted loss per share does not assume the exercise of the Company's share options as such would result in a decrease in loss per share.

(8) Dividend

No dividend was paid, declared or proposed during the current period (2017: Nil).

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

(9) Trade receivables

The Group has a policy of allowing its trade customers credit periods normally within 1 year. The aged analysis of trade and bills receivables, net of allowance for bad and doubtful debts, is presented based on the invoice date at the end of the reporting period as follows:

	At 30 June 2018	At 31 December 2017
	Unaudited	Audited
	HK$'000	*HK$'000*
0 to 90 days	**452,824**	254,138
91 to 180 days	**335,944**	197,028
181 to 365 days	**89,217**	74,446
Over 1 year	**12,353**	7,059
	890,338	532,671

Included in trade receivables are bills amounting to HK$120,101,000 (31 December 2017: HK$131,913,000) that the Group has received bills held for future settlement of trade receivables.

(10) Trade and bills payables

An aged analysis of the Group's trade and bills payables, presented based on the invoice date, at the end of the reporting period is as follows:

	At 30 June 2018 Unaudited ***HK$'000***	At 31 December 2017 Audited *HK$'000*
0 to 90 days	**320,184**	81,559
91 to 180 days	**77,855**	16,793
181 to 365 days	**36,573**	101,539
Over 1 year	**6,904**	7,621
	441,516	207,512

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30 June 2018 was approximately HK$1,142.8 million (2017: HK$611.4 million), representing an increase of 86.9% as compared to the previous year. The profit for the six months ended 30 June 2018 of the Group was HK$21.0 million (2017: HK$7.5 million). The basic loss per share amounted to HK0.28 cent (2017: HK0.17 cent).

The Group recorded a significant increase of HK$531.4 million in revenue for the six months ended 30 June 2018 as compared to the six months ended 30 June 2017. Such increase was primarily attributable to (i) the medical, pharmaceutical and health business of the Group has been expanding during the first half of 2018; (ii) the revenue generated by the fitness business of the Group following the Group's acquisition of 51% of the issued share capital in TFKT True Holdings in May 2017; and (iii) the increase in revenue generated by the cement business of the Group.

Business Review

Medical, Pharmaceutical and Health Business

Year 2018 marks the high point of PRC's healthcare reforms. In March 2018, the State Medical Insurance Administration was established under the State Council to consolidate the existing medical insurance system. Key pharmaceutical, medical and health areas such as the hierarchical medical system and the medical insurance reimbursement system will face continuous changes. The pharmaceutical and medical industry is also significantly reshaped by a series of new policies including the implementation of the Two-Invoice System, the abolishment of medicine markups by hospitals, the consistency evaluation of generic medicine, the restrictions on outpatient prescription, the restrictions on adjuvants drugs and the restrictions on outpatient intravenous therapy.

1. *Tongfang Pharmaceutical Group Co., Ltd* (同方藥業集團有限公司) ("Tongfang Pharmaceutical")*

   Based in Beijing, Tongfang Pharmaceutical is principally engaged in the research and development, production and sales of chemical drugs with 36,000 square meters of drug production workshops in Yanqing District, Beijing. For the six months ended 30 June 2018, Tongfang Pharmaceutical recorded an operating revenue of RMB103.5 million, representing a year-on-year growth of 68.0% as compared to RMB61.6 million for the same period of 2017. Gross profit was RMB91.5 million, representing a year-on-year growth of 76.0% as compared to RMB52.0 million for the same period of 2017.

   Following its established strategy, Tongfang Pharmaceutical continued to seize opportunities and stepped up its reform in the first half of 2018 in the face of the drastic changes in the PRC pharmaceutical market, such as the implementation of the Two-Invoice System and drug consistency evaluation. Capitalising on its existing products and customers, Tongfang Pharmaceutical actively explored new markets and has been awarded tenders in more provinces, which have laid a foundation for sustainable growth in the future. Food/supplement products are being developed in its existing area of interest, thereby expanding its product portfolio.

2. *Chongqing Kangle Pharmaceutical Co., Ltd.* (重慶康樂製藥有限公司) ("Chongqing Kangle")*

Chongqing Kangle is principally engaged in the research and development, production and sales of Active Pharmaceutical Ingredients ("API") and intermediate for API in Chongqing Changshou Chemical Industrial Park. For the six months ended 30 June 2018, Chongqing Kangle recorded an operating revenue of RMB41.2 million, representing a year-on-year growth of 102.0% as compared to RMB20.4 million for the same period of 2017. Gross profit was RMB8.3 million, representing a year-on-year growth of 130.6% as compared to RMB3.6 million for the same period of 2017.

In 2018, the newly built plant of Chongqing Kangle entered the testing stage and is expected to commence operation in the second half of the year after the inspection and approval procedures are completed. New products will also be launched to the market. By then, the performance of Chongqing Kangle will be boosted by such new products and new capacity.

3. *Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.* (陝西紫光辰濟藥業有限公司) ("Shaanxi Life Care")*

Shaanxi Life Care is principally engaged in the research and development, production and sales of Chinese patent drugs and operates a production facility in Chencang District, Baoji, Shaanxi. It has obtained written approvals for over 150 drugs. For the six months ended 30 June 2018, Shaanxi Life Care recorded an operating revenue of RMB31.4 million, representing a year-on-year growth of 5.0% as compared to RMB29.9 million for the same period of 2017. Gross profit was RMB14.6 million, representing a year-on-year growth of 40.4% as compared to RMB10.4 million for the same period of 2017.

With focus on changes in market, Shaanxi Life Care took proactive measures in the first half of 2018 to streamline its existing market layout, sale functions and sale structure. To strengthen coordination between production and sale and enhance operating efficiency, new sale models and departments were established and internal control was reinforced.

4. *SPF (Beijing) Biotechnology Co., Ltd.* (斯貝福(北京)生物技術有限公司) ("SPF")*

SPF is principally engaged in the research and development, production and sales of quality laboratory animals and the supply of animal indigenous raw materials with its production facilities in Badaling Economic and Technological Development Zone, Yanqing District, Beijing. For the six months ended 30 June 2018, SPF recorded an operating revenue of RMB19.0 million, representing a year-on-year growth of 29.3% as compared to RMB14.7 million for the same period of 2017. Gross profit was RMB11.2 million, representing a year-on-year growth of 67.2% as compared to RMB6.7 million for the same period of 2017.

In view of the market changes, SPF adjusted its existing business by expanding investment in and sales of high-margin products, thus improved its profitability in 2018.

Fitness Business

The global health club industry continued to grow in the first six months of 2018. According to The International Health, Racquet and Sportsclub Association Global Report 2018, the total industry revenue reached an estimated USD73.2 billion, with in excess of 200,000 clubs serving 174 million members worldwide. This is an all-time high, and the industry serves 65 markets around the world. Leading markets in North America, Europe and Asia continued to grow, with emerging markets, particularly in the Asia-Pacific region showing the strongest growth. The Singapore market has among the highest penetration rates among the population in Asia with over 5.76% of the population being members of a fitness centre.

The Asia-Pacific, home to nearly half of the world's population, is the world's largest potential market for the health club and fitness industry. At present, it serves 22 million members with more than 25,000 clubs across 14 markets (excluding the Middle East), where the industry revenue totals USD16.8 billion in the region.

Fueled by economic growth and growing affluence, the fitness market in the Asia-Pacific region has shown steady growth with a positive outlook going forward. Overall market penetration is on an upward trajectory reflecting growing awareness of health and fitness, and club memberships.

The Group's revenue in its fitness business for the six months period ended 30 June 2018 was HK$218.0 million which includes a royalty fee income of HK$28.3 million and service fee income of HK$1.5 million. The fitness business had a total of eight fitness and yoga centres operating under the brand name of "True Fitness" and one yoga centre under the brand of "True Yoga" in Singapore and two fitness and yoga centres operating under the brand name of "True Yoga" in the PRC. It received multiple industry awards on a recurring basis from various renowned health and lifestyle magazines, recognizing the Group's first-class fitness and yoga studios as well as classes. The fitness business in Taiwan currently has 13 fitness and yoga centres. The management is exploring new locations in Taiwan and possibly taking over smaller chain of fitness gyms in the foreseeable future as part of its commitment for expansion and to serve its members better. This would also help increase the Group's royalty fee income.

The Group's business strategy of opening conveniently-located and large sites to offer ample facilities to serve its members, caters to broad member interests with dedicated facilities for yoga, spinning, group exercise, personal training sessions and strength and fitness training. To add, the Group also achieves its brand differentiation through a distinctive, modern and upscale brand image with a focus on health and wellness lifestyle, with a particular appeal to the underserved female market segment. Its primary business segment and strategic focus is combining fitness and yoga studios: a format popular with members, and gives the Group's fitness business a unique combination of yoga and fitness under one roof with the added revenue stream from personal training services.

The Group will continue to focus on delivering good fitness offerings at affordable rates, and will refresh the image of and renew the equipment in various clubs, as well as looking to bring on new fitness and yoga options and products for some of the clubs.

Cement Business

For the six months ended 30 June 2018, the Group's revenue from the cement business amounted to HK$684.5 million (2017: HK$434.3 million), representing an increase of 57.6% as compared to the corresponding period of the previous year. Such increase was mainly attributable to the increase in the average selling prices of cement as the supply-demand correlation improved due to various factors such as the supply-side structural reform and industry self-regulation. For the six months ended 30 June 2018, the sales volume of the Group's cement and clinker was 1,537,000 tons (2017: 1,538,000 tons).

As to cement production, Shandong Allied Wangchao Cement Limited experienced different degrees of year-on-year reduction in the production volumes of clinker and cement in the first half of the year as a result of the seasonal halt of production. In addition to the decrease in production volume, the rising price of bulk raw materials have led to the increase in production costs, resulting in a lower gross margin of the Group's cement business for the six months ended 30 June 2018 as compared to the corresponding period of the previous year. In respect of cement trading, Shanghai Allied Cement Co., Ltd. reported an increase in the sales volume of cement as compared to the corresponding period of the previous year, thereby compensating for the sales volume of the Group's cement products for the period.

The Group's subsidiaries engaging in the cement business always strive to promote a recycling economy, and follow the philosophy of innovation in management and operation. In the future, the Group will carry on its research and development projects as a high-tech enterprise, and implement the governance philosophy of "safety, environmental protection, high efficiency, low consumption and harmony".

Financial Review

Liquidity and Financing

On 13 February 2018, 400,000,000 shares of the Company were allotted and issued to raise gross proceeds of approximately HK$201.3 million. Details of the issuance of shares and update on the use of proceeds are set out in the section headed "Use of Proceeds" in this announcement.

Except for the proceeds raised from the above issuance of shares, the Group's capital expenditure, daily operations and investments during the six months ended 30 June 2018 were mainly funded by cash generated from its operations and loans from principal bankers and third parties.

As at 30 June 2018, the Group maintained bank balances and cash reserves of approximately HK$303.2 million (31 December 2017: HK$415.0 million), including cash and cash equivalents of approximately HK$199.2 million and pledged bank deposits of approximately HK$103.9 million (31 December 2017: cash and cash equivalents of approximately HK$381.5 million and pledged bank deposits of approximately HK$33.5 million.)

As at 30 June 2018, the Group had outstanding borrowings of approximately HK$659.3 million repayable within one year (31 December 2017: HK$629.5 million) and outstanding borrowings of approximately HK$0.2 million repayable after one year (31 December 2017: HK$175.5 million). The Group's outstanding borrowings were denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB"), United States dollars ("USD") and Singapore dollars ("SGD") as to 57.6%, 36.4%, 5.9% and 0.1%, respectively. Around 99.9% of the Group's outstanding borrowings were charged with interest at floating rates while the remainder were at fixed rates.

The gearing ratio (total borrowings over total assets) of the Group as at 30 June 2018 was as follows:

	At 30 June 2018 Unaudited *HK$'000*	At 31 December 2017 Audited *HK$'000*
Total borrowings	**659,497**	805,002
Total assets	**3,571,976**	3,444,210
Gearing ratio	**18.5%**	23.4%

As at 30 June 2018, a balance amounting to HK$133.3 million (31 December 2017: HK$158.6 million) were included in the amounts due from other related parties, which represent the provision of entrusted loans through a bank to 上海建材(集團)有限公司 (Shanghai Building Material (Group) Company Limited*) ("Shanghai Building Material") and the related interest receivable. Details of the transactions were set out in the announcement of the Company dated 24 April 2018.

Financial Management and Policy

The Group's financial policy aims at minimising the Group's financial risk exposure. Our policy is not to engage in speculative derivative financial transactions and not to invest the current capital in financial products with significant risk.

Risk of Foreign Exchange Fluctuation

The Group's operations are mainly located in the PRC and Singapore and most of its transactions, related working capital and borrowings are denominated in RMB, SGD, USD and HK$. The Group closely monitors such foreign exchange exposure and will consider hedging significant currency exposure if necessary. However, since the Group's consolidated financial statements are presented in HK$ which is different from its functional currency, it is inevitable that the Group would face foreign exchange exposure, whether positive or negative, from translating the accounts to its presentation currency.

Pledge of Assets

As at 30 June, 2018, carrying values of building and structures, plant and equipment, prepaid lease payments on land use rights, exchange rate linked structured deposits and bank deposits of approximately HK$158.7 million, HK$4.3 million, HK$111.9 million, HK$28.6 million and HK$106.2 million respectively (31 December 2017: HK$155.3 million, HK$54.3 million, HK$99.5 million, HK$24.0 million and HK$35.8 million) were pledged for banking facilities and bank and other borrowings and short-term bank facilities granted to the Group.

Material Acquisition

On 23 January 2018, the Company and Kingwood Limited, an indirect wholly-owned subsidiary of the Company (the "Purchaser") entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with 深圳市世奧萬運投資有限公司 (Shenzhen Shiao Wan Yun Investment Co. Ltd.*) and Sea Best Group Limited (collectively, the "Vendors") in relation to the acquisition of remaining 40% equity interest in Tongfang Pharmaceutical by the Group (the "Acquisition"). Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell, a total of 40% equity interest in Tongfang Pharmaceutical, at a total consideration of RMB200,000,000, of which (i) RMB100,000,000 was satisfied in cash and (ii) RMB100,000,000 was satisfied by the issue of 243,863,777 consideration shares by the Company to the Vendors at the issue price of HK$0.5 per consideration share. Upon completion of the Acquisition on 3 May 2018, Tongfang Pharmaceutical has become an indirect wholly-owned subsidiary of the Company. Details of the Acquisition were set out in the announcements of the Company dated 23 January 2018, 13 February 2018, 16 March 2018 and 3 May 2018, respectively and the circular of the Company dated 27 February 2018.

Material Capital Commitments and Investments

As announced by the Company on 15 February 2012, Shanghai Allied Cement Co., Ltd ("Shanghai SAC") entered into the《關於建設「白龍港項目」合作協議》 (Bailonggang Project Construction Cooperation Agreement*) and the 《關於設立合資公司(原則)協議》 (Principle Agreement for the Establishment of the Joint Venture Company*) on 13 February 2012 with Shanghai Building Material, a state-owned enterprise, for the purpose of setting up a joint venture company (the "JV Company") to operate and manage the development of new cement production facilities at Bailonggang, Pudong, Shanghai (the "Bailonggang Project") after the relevant government approvals for the Bailonggang Project being obtained. The setting up of the JV Company constituted a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. The 50% share of registered capital of the JV Company amounting to RMB400.0 million (equivalent to approximately HK$476.0 million (31 December 2017: HK$480.0 million)) would be contributed and funded by internal resources of the Group. Details of the transaction were set out in the announcements of the Company dated 15 February 2012 and 30 January 2014, respectively and the circular of the Company dated 16 March 2012.

As announced by the Company on 3 October 2012, Shanghai SAC entered into three purchase agreements on 28 September 2012 for the purchases of certain equipment and machineries at the aggregate consideration of RMB380.0 million (equivalent to approximately HK$452.2 million (31 December 2017: HK$456.0 million)), for future use in the Bailonggang Project. The Company does not intend to retain such equipment and machineries for its own use. Up to 30 June 2018, Shanghai SAC has settled the first installment of the total consideration under the three respective agreements in an aggregate amount of RMB68.3 million (31 December 2017: RMB68.3 million) (equivalent to approximately HK$81.2 million (31 December 2017: HK$82.0 million)). Details of the transaction were set out in the announcement and circular of the Company dated 3 October 2012 and 15 November 2012, respectively.

Material Disposal and Event after the End of the Reporting Period

On 27 June 2018, the Company, Splendid Link Limited, a direct wholly-owned subsidiary of the Company (the "Disposal Company") and Zenith Element Limited (the "Purchaser") entered into a disposal agreement, pursuant to which (i) the Purchaser conditionally agreed to advance the shareholder's loan in the sum of HK$380,000,000 (the "Shareholder's Loan") to the Disposal Company at completion; and (ii) the Company and the Purchaser further agreed that, subject to the completion of such advancement of the Shareholder's Loan by the Purchaser to the Disposal Company, the Company will simultaneously transfer one ordinary share of USD1 in the share capital of the Disposal Company, representing all the share capital of the Disposal Company held by the Company, at the sale price of HK$1 upon completion (the "Disposal"). The Disposal Company and its subsidiaries are indebted to the lenders (being independent third parties) for the loans in the aggregate principal amount of HK$380,000,000 (the "Loans"). The Shareholder's Loan will be applied by the Disposal Company to repay the principal amount of the Loans at completion. Pursuant to the Disposal Agreement, completion of the Disposal is conditional upon and satisfaction of certain conditions precedent on or before 31 July 2018, being the long stop date. On 31 July 2018, the parties to the Disposal Agreement entered into a supplemental agreement to extend the long stop date to 31 August 2018 (or such later date as the parties may agree in writing). On 31 August 2018, the parties to the Disposal Agreement entered into a further supplemental agreement to further extend the long stop date to 30 September 2018 (or such later date as the parties may agree in writing). Details of the transaction were set out in the announcements of the Company dated 27 June 2018, 18 July 2018, 23 July 2018, 31 July 2018, 24 August 2018 and 31 August 2018, respectively.

Employees

As at 30 June 2018, the Group had 1,572 (31 December 2017: 2,118) employees. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded salary and bonus on a performance related basis. In addition, share options and awarded shares may be granted to eligible employees pursuant to the terms of the share option scheme and the Share Award Scheme, respectively. The purpose of the schemes is to provide incentives to the selected employees to contribute to the Group and to enable the Group to recruit and retain high-calibre employees, and attract and retain human resources that are valuable to the Group.

Outlook

Medical, Pharmaceutical and Health Business

Under the current circumstances where PRC is undergoing drastic healthcare reforms, Tongfang Pharmaceutical faces both opportunities and risks. Leveraging its existing resources, it will continue to strengthen its product development, product portfolio, channel innovation and internal control in order to strike a balance between rapid development and risk control, maximise shareholders' value, and add value to the society.

Fitness Business

The Group's fitness business in Singapore occupies a mid-market position, and is known to be a "value-for-money" fitness and yoga club, offering a wide variety of group exercise and dance classes, and yoga classes. The middle market segment is the area that the Group will focus on. Management believes that it has a different market niche and the other players in this middle tier do not offer group exercise and dance classes, or yoga classes. This is what makes the Group's fitness business outstanding.

The Group's fitness business in Taiwan is considered to be a premier brand in Taiwan. Management intends to refresh the existing fitness clubs by upgrading the design and equipment of the clubs, to foster a market-dominant position before the competition gets more intense.

Management believes that the key to success in China lies with the proper strategy. International fitness and yoga chains adopt Western-styled concept or strategies to enter into the China market. China, however, is unique in itself, and management believes that with its synergy with the Group, it has a better and deeper understanding of the China fitness and yoga market. Management is looking forward to developing its expansion and rollout plan in the China market.

Management remains very positive about the outlook for the fitness business across the 3 locations in which the fitness business operates. Management is acutely aware of the different operating environments in each location, and will continue to make localised adaptations.

Cement Business

In early April 2018, Kong Xiangzhong, vice president of the China Cement Association, put forward three major plans for the year: first, a plan to pursue structural adjustment, cut excess capacity and bolster areas of weakness; second, a plan to promote technological innovation, save energy and reduce emission and work towards a green development; and third, a plan to enhance self-regulation and co-ordination, ensure a stable growth and boost efficiency. In view of the calls for reducing excess capacity and environmental protection, the Chinese cement industry has faced greater restriction and longer period of suspension in terms of production. In July, the State Council of the PRC issued the《打贏藍天保衛戰三年行動計劃》(Three-Year Plan on Defending the Blue Sky*), which sets higher standard for pollution and emission during production and transportation of goods. Going forward, low emission and high standards of environmental protection will become common practices, and non-compliant enterprises and regions with heavy pollution are exposed to greater risks of production restriction and suspension. As such, the cement sector may incur higher costs for compliance with laws and regulations regarding environmental protection.

USE OF PROCEEDS

On 23 January 2018, the Company and THTF Energy-Saving Holdings Limited (the "Subscriber") entered into a subscription agreement pursuant to which the Subscriber conditionally agreed to subscribe and the Company conditionally agreed to allot and issue 400,000,000 shares of the Company (the "Subscription") at the subscription price of HK$0.5 per subscription share. The Subscription was completed on 13 February 2018 and the gross proceeds raised from it amounted to approximately HK$201.3 million. After deducting the relevant expenses, the net proceeds raised from the Subscription amounted to approximately HK$200.5 million.

The Company had applied HK$119.0 million for settlement of part of the consideration payable for the Acquisition. It was disclosed in the announcement of the Company dated 23 January 2018 that the remaining net proceeds will be used for general corporate and business development and general working capital, and in that connection HK$39.3 million out of the remaining net proceeds was used in the repayment of bank borrowings on 27 August 2018. It is currently expected that the remaining net proceeds as to approximately HK$42.2 million will be applied in short term investments which allow the Group to have risk-adjusted return during the second half of 2018.

Details of the transactions were disclosed in the announcements of the Company respectively dated 23 January 2018, 13 February 2018, 16 March 2018 and 3 May 2018 and the circular dated 27 February 2018.

INTERIM DIVIDEND

The Board considers that it is prudent to retain an appropriate level of funds to take advantage of business opportunities as and when they arise, and therefore does not recommend to declare an interim dividend for the six months ended 30 June 2018 (2017: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2018, the Company has applied the principles of, and complied with, all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE REVIEW

The Audit Committee together with the Company's management team have reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30 June 2018. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants as well as reports obtained from the Company's management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The interim report of the Company for the six months ended 30 June 2018 (the "2018 Interim Report") will be despatched to the Shareholders and made available on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (http://www.tfkf.com.hk) in due course. The 2018 interim financial results set out above does not constitute the Company's statutory financial statements for the six months ended 30 June 2018 to be included in the 2018 Interim Report.

By Order of the Board
Tongfang Kontafarma Holdings Limited
Huang Yu
Chairman

Hong Kong, 31 August 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Huang Yu (Chairman), Mr. Jiang Chaowen (Chief Executive Officer) and Mr. Ng Qing Hai and three independent non-executive Directors, namely Mr. Chan Sze Chung, Mr. Zhang Ruibin and Mr. Zhang Junxi Jack.

* *For identification purpose only*