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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)

SUPPLEMENTAL ANNOUNCEMENT
ON THE ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Tongfang Kontafarma Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 March 2020 (the “**2019 Annual Results Announcement**”) in relation to the unaudited annual results of the Group for the year ended 31 December 2019 (the “**2019 Unaudited Annual Results**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the 2019 Annual Results Announcement.

AUDITOR’S AGREEMENT ON THE 2019 ANNUAL RESULTS

The Board is pleased to announce that the Group’s auditor, BDO Limited, has completed its audit of the annual results of the Group for the year ended 31 December 2019 (the “**2019 Audited Annual Results**”) in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, including the financial figures in respect of the Group’s consolidated statement of financial position, consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements (the “**2019 Audited Financial Statements**”).

The overall 2019 Audited Annual Results remain substantially the same as the 2019 Unaudited Annual Results, except for the major changes and reclassifications with details set out below:

- (a) based on the terms for the sales agreement entered into with the customers during the year ended 31 December 2019 and having considered the facts and circumstances, revenue from trading of cement should be recognised on a net basis in accordance with HKFRS 15. The cost of sales amounted to HK\$1,244.1 million is therefore net-off to the revenue from trading of cement. Moreover, trade receivables and trade payables amounting to HK\$793.1 million and HK\$144.5 million are reclassified as other receivables and other payables respectively;
- (b) as a result of recognising additional impairment losses under expected credit loss model, the impairment losses of trade receivables and other receivables of the cement business are adjusted upward by HK\$0.9 million and HK\$21.8 million, respectively, and the deferred tax expense is adjusted downward by HK\$5.7 million accordingly;
- (c) the impairment losses on property, plant and equipment and intangible assets of the cement business are adjusted downward by HK\$17.4 million and HK\$6.3 million respectively, and the deferred tax expense is adjusted upward by HK\$1.2 million as a result of the re-assessment on value in use of relevant property, plant and equipment and intangible assets, with HK\$0.5 million representing an exchange difference;

- (d) additional provision of audit fee of cement business amounted to HK\$0.6 million is provided;
- (e) the profit for the year is adjusted upward by HK\$5.3 million from HK\$59.9 million to HK\$65.2 million as a result of the abovementioned changes with its corresponding tax effect;
- (f) pledged bank deposits of HK\$11.2 million is reclassified from current assets to non-current assets; and
- (g) provision of reinstatement cost of HK\$4.7 million is reclassified from other payables to provision of reinstatement cost.

The following set forth the audited consolidated statement of financial position of the Group as at 31 December 2019, the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2019, the relevant corresponding figures shown in the 2019 Unaudited Annual Results and the relevant changes between the audited and the unaudited figures (*the Notes shown below correspond to the relevant paragraphs set out above*):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | Notes | 2019 HK\$'000 (Audited) | 2019 HK\$'000 (Unaudited) | Change HK\$'000 |
|--|----------|-------------------------------|---------------------------------|--------------------|
| Revenue – goods and services | (a) | 1,482,347 | 2,726,404 | (1,244,057) |
| Cost of sales and services | (a) | <u>(733,640)</u> | <u>(1,977,697)</u> | <u>1,244,057</u> |
| Gross profit | | 748,707 | 748,707 | – |
| Other income | | 39,781 | 39,781 | – |
| Other gains and losses | | 41,535 | 41,535 | – |
| Impairment losses under expected credit loss model, net of reversal | (b) | (27,686) | (4,941) | (22,745) |
| Impairment losses on property, plant and equipment and intangible assets | (c) | (7,741) | (31,921) | 24,180 |
| Distribution and selling expenses | | (342,951) | (342,951) | – |
| Administrative expenses | (d) | (157,998) | (157,410) | (588) |
| Other expenses | | (34,711) | (34,711) | – |
| Finance costs | | (127,246) | (127,246) | – |
| Share of result of an associate | | (303) | (303) | – |
| Share of result of a joint venture | | <u>(9,716)</u> | <u>(9,716)</u> | <u>–</u> |
| Profit before taxation | | 121,671 | 120,824 | 847 |
| Taxation | (b), (c) | <u>(56,460)</u> | <u>(60,927)</u> | <u>4,467</u> |
| Profit for the year | (e) | <u>65,211</u> | <u>59,897</u> | <u>5,314</u> |

| | 2019 <i>HK\$'000</i> (Audited) | 2019 <i>HK\$'000</i> (Unaudited) | Change <i>HK\$'000</i> |
|--|---|---|----------------------------------|
| Other comprehensive (expense) income: | | | |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference arising on translation to presentation currency | (26,576) | (26,480) | (96) |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference arising on translation of foreign operations | (1,015) | (1,015) | – |
| Fair value change on debt instrument at fair value through other comprehensive income | (336) | (336) | – |
| Reclassify to profit or loss upon disposal of debt instrument at fair value through other comprehensive income | 634 | 634 | – |
| Other comprehensive expense for the year | <u>(27,293)</u> | <u>(27,197)</u> | <u>(96)</u> |
| Total comprehensive income for the year | <u><u>37,918</u></u> | <u><u>32,700</u></u> | <u><u>5,218</u></u> |
| Profit for the year attributable to: | | | |
| Owners of the Company | 36,102 | 22,290 | 13,812 |
| Non-controlling interests | 29,109 | 37,607 | (8,498) |
| | <u><u>65,211</u></u> | <u><u>59,897</u></u> | <u><u>5,314</u></u> |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | 17,352 | 3,787 | 13,565 |
| Non-controlling interests | 20,566 | 28,913 | (8,347) |
| | <u><u>37,918</u></u> | <u><u>32,700</u></u> | <u><u>5,218</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | Notes | 2019 HK\$'000 (Audited) | 2019 HK\$'000 (Unaudited) | Change HK\$'000 |
|---|----------|-------------------------------|---------------------------------|--------------------|
| Non-current assets | | | | |
| Property, plant and equipment | (c) | 621,703 | 604,164 | 17,539 |
| Right-of-use assets | | 540,697 | 540,697 | – |
| Deposits for equipment and machineries | | 26,453 | 26,453 | – |
| Prepaid lease payments on land use rights | | – | – | – |
| Investment properties | | 4,615 | 4,615 | – |
| Goodwill | | 433,600 | 433,600 | – |
| Intangible assets | (c) | 334,291 | 328,067 | 6,224 |
| Interests in an associate | | – | – | – |
| Interests in a joint venture | | – | – | – |
| Deferred tax assets | | 81 | 81 | – |
| Rental deposits | | 14,406 | 14,406 | – |
| Contract costs | | 3,104 | 3,104 | – |
| Pledged bank deposits | (f) | 11,199 | – | 11,199 |
| | | <u>1,990,149</u> | <u>1,955,187</u> | <u>34,962</u> |
| Current assets | | | | |
| Properties held for sale | | 2,166 | 2,166 | – |
| Biological assets | | 10,447 | 10,447 | – |
| Inventories | | 115,328 | 115,328 | – |
| Trade receivables | (a), (b) | 351,730 | 1,145,749 | (794,019) |
| Contract costs | | 5,062 | 5,062 | – |
| Other receivables, deposits and prepayments | (a), (b) | 912,642 | 140,968 | 771,674 |
| Loans receivables | | 16,791 | 16,791 | – |
| Financial assets at fair value through profit or loss | | 68,096 | 68,096 | – |
| Debt instrument at fair value through other comprehensive income | | – | – | – |
| Other investment | | 20,000 | 20,000 | – |
| Prepaid lease payments on land use rights | | – | – | – |
| Amount due from a joint venture | | – | – | – |
| Amount due from an associate | | 80,239 | 80,239 | – |
| Amounts due from other related parties | | 221,943 | 221,943 | – |
| Pledged bank deposits | (f) | 57,281 | 68,480 | (11,199) |
| Cash and cash equivalents | | 148,298 | 148,298 | – |
| | | <u>2,010,023</u> | <u>2,043,567</u> | <u>(33,544)</u> |

| | <i>Notes</i> | 2019 <i>HK\$'000</i> (Audited) | 2019 <i>HK\$'000</i> (Unaudited) | Change <i>HK\$'000</i> |
|--|--------------------------|---|---|----------------------------------|
| Current liabilities | | | | |
| Trade and bills payables | <i>(a)</i> | 306,562 | 451,059 | (144,497) |
| Other payables and deposits received | <i>(a), (d), (g)</i> | 404,660 | 254,825 | 149,835 |
| Amount due to an intermediate holding company | | 100,813 | 100,813 | – |
| Amounts due to other related parties | | 37,927 | 37,927 | – |
| Tax liabilities | | 114,652 | 114,652 | – |
| Bank and other borrowings due within one year | | 455,408 | 455,408 | – |
| Provision of reinstatement cost | <i>(g)</i> | 43,805 | 48,555 | (4,750) |
| Deferred income | | 1,120 | 1,120 | – |
| Contract liabilities | | 51,864 | 51,864 | – |
| Lease liabilities/obligations under finance leases | | 74,221 | 74,221 | – |
| | | <u>1,591,032</u> | <u>1,590,444</u> | <u>588</u> |
| Net current assets | | <u>418,991</u> | <u>453,123</u> | <u>(34,132)</u> |
| Total assets less current liabilities | | <u><u>2,409,140</u></u> | <u><u>2,408,310</u></u> | <u><u>830</u></u> |
| Capital and reserves | | | | |
| Share capital | | 11,177 | 11,177 | – |
| Share premium and reserves | | 1,400,945 | 1,387,380 | 13,565 |
| Equity attributable to owners of the Company | | 1,412,122 | 1,398,557 | 13,565 |
| Non-controlling interests | | 508,926 | 517,273 | (8,347) |
| Total equity | | <u>1,921,048</u> | <u>1,915,830</u> | <u>5,218</u> |
| Non-current liabilities | | | | |
| Bank and other borrowings due after one year | | – | – | – |
| Deferred taxation | <i>(b), (c)</i> | 100,131 | 104,519 | (4,388) |
| Provision of reinstatement cost | | 17,223 | 17,223 | – |
| Deferred income | | – | – | – |
| Contract liabilities | | 2,331 | 2,331 | – |
| Lease liabilities/obligations under finance leases | | 368,407 | 368,407 | – |
| | | <u>488,092</u> | <u>492,480</u> | <u>(4,388)</u> |
| | | <u><u>2,409,140</u></u> | <u><u>2,408,310</u></u> | <u><u>830</u></u> |

Given additional time was required for preparation of the 2019 Audited Annual Results amid various control policies adopted in the PRC against COVID-19, the annual report of the Company for the year ended 31 December 2019 which will contain, amongst others, the 2019 Audited Financial Statements and the management discussion and analysis adjusted in correspondence with the audited figures is being prepared and it is expected the annual report will be despatched to the Shareholders and published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and of the Company (<http://www.tfkf.com.hk>) on or around 15 May 2020.

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

Hong Kong, 29 April 2020

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