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 2016

The board of directors ("Board") of Tongfang Kontafarma Holdings Limited (formerly known as Allied Cement Holdings Limited) ("Company") announces that the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30 June 2016 with the comparative figures for the corresponding period in 2015 are as follows. The interim financial report of the Group for the six months ended 30 June 2016 has not been audited, but has been reviewed by the audit committee of the Company ("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 2016

		Six months ended 30 June	
		2016	2015
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Revenue	*(4)*	**238,802**	259,189
Cost of sales		**(234,729)**	(238,856)
Gross profit		**4,073**	20,333
Other income	*(5)*	**22,864**	26,388
Net foreign exchange loss		**(6)**	(895)
Fair value losses on financial assets at fair value through profit or loss		**(1,953)**	–
Interest income on other principal protected deposits		**1,666**	5,937
Distribution and selling expenses		**(2,895)**	(2,811)
Administrative expenses		**(25,853)**	(30,743)
Finance costs		**(6,879)**	(10,796)
(Loss) profit before taxation		**(8,983)**	7,413
Taxation	*(6)*	**(3,999)**	(4,333)
(Loss) profit for the period	*(7)*	**(12,982)**	3,080
Other comprehensive expense:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to presentation currency		**(3,730)**	–
Total comprehensive (expense) income for the period		**(16,712)**	3,080

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Cont'd)*

for the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
(Loss) profit for the period attributable to:			
Owners of the Company		**(18,047)**	(3,614)
Non-controlling interests		**5,065**	6,694
		(12,982)	3,080
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(20,416)**	(3,614)
Non-controlling interests		**3,704**	6,694
		(16,712)	3,080
		HK cents	*HK cents*
Loss per share	*(8)*		
Basic		**(0.36)**	(0.07)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016

	Notes	At 30 June 2016 Unaudited HK$'000	At 31 December 2015 Audited HK$'000
Non-current assets			
Property, plant and equipment		**371,347**	380,880
Deposit for acquisition of an investment		**34,590**	–
Deposits for equipment and machineries		**81,273**	81,565
Prepaid lease payments on land use rights		**6,568**	6,685
Club membership		**278**	–
Mining right		**8,885**	9,050
		502,941	478,180
Current assets			
Properties held for sale		**2,302**	2,310
Inventories		**26,122**	34,330
Trade and bills receivables	*(10)*	**305,904**	295,440
Other receivables, deposits and prepayments		**47,531**	51,142
Loans receivable		**225,546**	–
Financial assets at fair value through profit or loss		**124,135**	82,227
Other principal protected deposits		**54,323**	205,327
Prepaid lease payments on land use rights		**186**	187
Amount due from a related party		**157,341**	157,937
Restricted bank deposit		**1,429**	–
Pledged short-term bank deposits		**425,888**	424,912
Time deposits		**504,555**	200,636
Bank balances and cash		**296,171**	697,297
		2,171,433	2,151,745
Current liabilities			
Trade and bills payables	*(11)*	**151,402**	103,997
Other payables and deposits received		**40,808**	32,093
Amount due to a related party		**2,137**	2,137
Tax liabilities		**89,009**	86,425
Bank and other borrowings due within one year		**780,000**	777,456
		1,063,356	1,002,108
Net current assets		**1,108,077**	1,149,637
Total assets less current liabilities		**1,611,018**	1,627,817

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
at 30 June 2016

	At 30 June 2016 Unaudited ***HK$'000***	At 31 December 2015 Audited *HK$'000*
Capital and reserves		
Share capital	**9,900**	9,900
Share premium and reserves	**1,177,343**	1,197,759
Equity attributable to owners of the Company	**1,187,243**	1,207,659
Non-controlling interests	**404,650**	400,946
Total equity	**1,591,893**	1,608,605
Non-current liability		
Deferred taxation	**19,125**	19,212
	1,611,018	1,627,817

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30 June 2016 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 ("HKICPA") and an unmodified review conclusion has been issued.

(2) Basis of preparation

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

(3) Significant accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the above amendments to HKFRSs in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

(4) Segment information

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Manufacture and sales and trading of:		
Cement	**225,031**	259,059
Clinker	**13,771**	130
	238,802	259,189

During the six months ended 30 June 2016, the Group operates in one business unit based on its products and service, and has one operating segment: manufacture and sales of cement, clinker and slag, trading of cement and provision of technical services, if any. The chief operating decision maker monitors the revenue, results, assets and liabilities of its business unit as a whole based on the monthly sales reports, monthly delivery reports and monthly management accounts, and considers the segment assets and segment liabilities of the Group have included all assets and liabilities as stated in the condensed consolidated statement of financial position, respectively, and considers the segment revenue and segment results of the Group have represented all revenue and profit for the period as stated in the condensed consolidated statement of profit or loss and other comprehensive income, respectively.

(5) Other income

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest income from banks	**3,713**	2,703
Interest income from loans receivable	**4,696**	605
Interest income from a non-controlling shareholder of the Group's subsidiary	**3,716**	4,187
Net gain on disposal and write-off of property, plant and equipment	**6,585**	61
Subsidy income	**344**	17,087
Sundry income	**3,810**	1,745
	22,864	26,388

(6) Taxation

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK$'000	*HK$'000*
The (charge) credit comprises:		
Current tax		
– The People's Republic of China ("PRC") Enterprise Income Tax	**(3,959)**	(2,711)
Underprovision in prior years		
– PRC Enterprise Income Tax	**(58)**	(459)
Deferred tax	**18**	(1,163)
	(3,999)	(4,333)

(7) (Loss) profit for the period

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging (crediting):		
Amortisation of mining right (included in administrative expenses)	**132**	141
Depreciation of property, plant and equipment	**10,534**	11,457
Total amortisation and depreciation	**10,666**	11,598
Cost of inventories recognised as expenses	**234,729**	238,856
Release of prepaid lease payments on land use rights	**93**	98
Net gain on disposal and write-off of property, plant and equipment	**(6,585)**	(61)
Operating lease rentals in respect of premises	**688**	469

(8) Loss per share

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

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share (loss for the period attributable to owners of the Company)	**(18,047)**	(3,614)

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	Shares	*Shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,950,000,000**	4,950,000,000

No diluted loss per share has been presented for both periods as there was no outstanding potential ordinary share during both periods and at the end of the reporting periods.

(9) Dividend

The Board does not recommend the payment of an interim dividend (2015: Nil).

No dividend was declared or paid by the Company during the current period (2015: Nil).

(10) Trade and bills receivables

The Group has a policy of allowing its trade customers credit periods normally ranging from 120 days to 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 2016 Unaudited ***HK$'000***	At 31 December 2015 Audited *HK$'000*
0 to 90 days	**166,198**	161,123
91 to 180 days	**91,728**	59,782
181 to 365 days	**35,523**	47,388
Over 1 year	**12,455**	27,147
	305,904	295,440

(11) 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 2016 Unaudited ***HK$'000***	At 31 December 2015 Audited *HK$'000*
0 to 90 days	**107,906**	60,043
91 to 180 days	**20,598**	20,300
181 to 365 days	**19,876**	20,324
Over 1 year	**3,022**	3,330
	151,402	103,997

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30 June 2016 was HK$238.8 million (2015: HK$259.2 million), representing a decrease of 7.9% compared to the same period of last year. The loss for the period of the Group was HK$13.0 million (2015: profit of HK$3.1 million). The basic loss per share amounted to HK0.36 cents (2015: HK0.07 cents).

The Group recorded a significant loss for the six months ended 30 June 2016 as compared to the unaudited net profit for the six months ended 30 June 2015. Such loss was primarily attributable to a decline in the selling prices of cement products in the PRC as compared to the corresponding period of last year.

The cement products of the Group have inevitably been impacted by the decline in overall market selling prices, especially for the price of products from the Group's manufacture and sales operations in Shandong province. Since the drop in average selling price of the Group's cement products exceeded the decrease in its average production cost, the Group's gross profit decreased. For the six months ended 30 June 2016, the gross profit of the Group was HK$4.1 million (2015: HK$20.3 million), representing a decrease of 80.0% compared to same period of last year. The gross margin was 1.7%, representing a decrease of 6.1 percentage points from 7.8% for the six months ended 30 June 2015.

For the six months ended 30 June 2016, the administrative expenses of the Group amounted to approximately HK$25.9 million (2015: HK$30.7 million), representing a decrease of 15.9% as compared to the same period of last year. This was mainly due to the decrease in legal and professional fees incurred.

The Group had made best effort to refinance its borrowings with relatively low borrowing cost, as a result, the finance cost of the Group for the six months ended 30 June 2016 decreased to approximately HK$6.9 million (2015: HK$10.8 million), representing a decrease of 36.3% as compared to the same period of last year.

Business Review

Macro Environment of the PRC Cement Industry in 2016

In the first half of 2016, the Chinese economy as a whole exhibited a steady, improved and promising development. According to the statistics of the National Bureau of Statistics of the PRC ("National Bureau of Statistics"), gross domestic product of the PRC for the first half of the year amounted to RMB34.0637 trillion, representing a year-on-year growth of 6.7%. In particular, the growth rates of the first and second quarters were both 6.7%, remaining in the range of 6.5% to 7% for six consecutive quarters.

The National Bureau of Statistics announced that the production volume of cement above designated size across the PRC from January to June 2016 amounted to 1,110 million tons, representing a year-on-year increase of 3.2%. The accumulated growth rate surged by 8.3 percentage points year-on-year but dropped by 0.5 percentage point as compared with the period from January to May 2016. In June, production volume of cement across the PRC amounted to 220 million tons, representing a year-on-year growth of 2.6%. Although overall demand remained weak, both stimulation from infrastructure investment and rebound in real estate investment procured the year-on-year growth. According to a research from the China Cement Research Institute, in the first half of 2016, cement price index (CEMPI) of China jumped from 79.25 at the beginning of the year to 82.17 as at 30 June 2016, representing an aggregate growth of 3.68%. This departed from the downward trends in the first half of recent years. The continual price drop that squeezed cement corporate profit margin last year largely weakened the momentum of further price cut in the current year. Therefore, the year-on-year drop narrowed from 20.59% at the beginning of this year to 5.06% as at the end of June 2016.

The dwindling sales and prices of cement due to the new economic trend in the PRC had an adverse impact on producers and posed a grave threat to the cement industry. According to the information from the Ministry of Industry and Information Technology of the PRC, the percentage of loss-making cement producers in the PRC for the first half of 2016 was over 40%.

Business Operation of the Group

For the six months ended 30 June 2016, the Group is engaged principally in the manufacture and sales of cement, clinker and slag, trading of cement and provision of technical services with operations in Shandong province and Shanghai in the PRC.

The Group's cement and clinker sales amounted to 1,122,000 tons (2015: 987,000 tons) for the six months ended 30 June 2016, increased by 13.7% compared to the same period of last year.

1. *Shanghai Allied Cement Co., Ltd. ("Shanghai SAC")*

   For the six months ended 30 June 2016, cement distributed by Shanghai SAC amounted to 615,000 tons (2015: 408,000 tons), increased by 50.7% as compared to the same period of last year. Gross profit amounted to HK$10.3 million (2015: HK$9.9 million), representing an increase of 4.0% as compared to the same period of last year. During the period, Shanghai SAC continued to cautiously invest the surplus of the idle funds in its business operation in wealth management products in accordance with the Group's treasury policies and investment guidelines. Shanghai SAC recorded fair value gains and interest income on financial assets of HK$1.4 million (2015: interest income of HK$2.4 million).

2. *Shandong Allied Wangchao Cement Limited ("Allied Wangchao")*

   For the six months ended 30 June 2016, clinker and cement produced by Allied Wangchao amounted to 339,000 tons (2015: 377,000 tons) and 415,000 tons (2015: 599,000 tons), respectively. 508,000 tons (2015: 579,000 tons) of cement and clinker were sold, decreased by 12.3% as compared to the same period of last year. Allied Wangchao recorded a gross loss of HK$6.3 million in the first half of 2016 (2015: gross profit of HK$10.4 million) mainly due to a fall in average selling prices. Resulted from the coordinated suspension of production across the industry during the period, the clinker production of Allied Wangchao recorded a decrease as compared to the same period of last year.

In the first half of 2016, Allied Wangchao changed the gear wheels of its kilns to stabilise the kilns and accelerated their speed so as to enhance the amount and quality of its clinker output. Its grate cooler was also transformed and repaired to improve their reliability so as to increase the temperature of exhaust fumes from production line and enhance waste heat power generation. Staged combustion was further promoted during the period in order to save energy, reduce emissions and cut nitrogen oxide discharge.

3. *Shandong Shanghai Allied Cement Co., Ltd. ("Shandong SAC")*

Shandong SAC is actively exploring the possibility of product and technology transformation and upgrade. Shandong SAC is also proactively looking for investment opportunity in the fields of energy-saving and environmental protection.

4. *The development of new cement production facilities at Bailonggang, Pudong, Shanghai ("Bailonggang Project")*

The Bailonggang Project is located at Heqing Town, Pudong New Area, Shanghai. It covers an area of 43.37 hectares and has 450 metres of shoreline along the Yangtze River. The Bailonggang Project will apply new dry process cement production lines with the most advanced technologies in the world. Major constructions will include: (i) two new dry process cement production lines with a daily capacity of 4,000 tons each that handle urban sludge and waste at the same time; (ii) two ancillary pure low-temperature waste heat power stations with a capacity of 7.5 MW each to fully utilise the waste heat from the cement kilns; and (iii) an ancillary dock with an annual throughput of approximately 8 million tons. This project is a resource-saving and environmental-friendly project. It will use cement kilns to realise a simultaneous hazard-free disposal of industrial solid waste, urban sludge, domestic waste and industrial hazardous waste while achieving a comprehensive utilisation of resources. An application for the postponement of the project has been submitted to the relevant government authority, and the application is currently pending approval.

Medical, Pharmaceutical and Health Industry Business

On 12 July 2016, the acquisition of 60% equity interest in 北京紫光製藥有限公司 (Beijing Ziguang Pharmaceutical Co., Ltd.*) ("Ziguang Pharmaceutical"), a sino-foreign joint venture enterprise established in the PRC, was completed. Ziguang Pharmaceutical is principally engaged in the manufacturing and sales of prescription drugs, including chemical drugs and traditional prescribed Chinese medicines through its subsidiaries. With effect from the same date, Mr. Zhang Yi ("Mr. Zhang") was appointed as an executive Director of the Company and a member of the Executive Committee and the Share Dealing Committee. Mr. Zhang has over 15 years of experience in the pharmaceutical industry. Prior to joining the Group, Mr. Zhang acted as the general manager and chairman of other pharmaceutical companies. The Group is expected to achieve better returns and development from the appointment of Mr. Zhang as he will bring in his professional management experience in the pharmaceutical industry.

Financial Review

Liquidity and Financing

On 22 December 2014, additional shares of the Company were issued by way of open offer ("Open Offer") to raise gross proceeds of HK$495.0 million. Details of the open offer and update on the use of proceeds are set out in the section headed "Use of Proceeds from Open Offer".

Except for the proceeds raised from the Open Offer, during the six months ended 30 June 2016, the Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and loans from principal bankers and third parties.

During the six months ended 30 June 2016, the Group had refinanced bank loans with aggregate principal amount of HK$380.0 million by other borrowings from third parties.

As at 30 June 2016, the Group maintained bank balances and cash reserves of approximately HK$1,226.7 million (31 December 2015: HK$1,322.8 million), including bank balances and cash of approximately HK$296.2 million (31 December 2015: HK$697.3 million), pledged short-term bank deposits of approximately HK$425.9 million (31 December 2015: HK$424.9 million) and time deposits of approximately HK$504.6 million (31 December 2015: HK$200.6 million).

As at 30 June 2016, the Group had outstanding borrowings of HK$780.0 million (31 December 2015: HK$777.5 million) repayable within one year. There was no outstanding borrowing repayable after one year (31 December 2015: Nil). All of the Group's outstanding borrowings were denominated in HK$ and were charged with interest at floating rates.

The gearing ratio (total borrowings over total assets) of the Group as at 30 June 2016 was as follows:

	At 30 June 2016 Unaudited *HK$'000*	At 31 December 2015 Audited *HK$'000*
Total borrowings	**780,000**	777,456
Total assets	**2,674,374**	2,629,925
Gearing ratio	**29.2%**	29.6%

As at 30 June 2016, the amount due from a related party were HK$157.3 million (31 December 2015: HK$157.9 million), which represented 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*) (formerly known as 上海建築材料（集團）總公司 (Shanghai Building Material (Group) General Company*)) ("Shanghai Building Material") and the related interest receivable. Details of the transactions were set out in the announcement of the Company dated 27 May 2016.

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 Mainland China and its transactions, related working capital and borrowings are primarily denominated in Renminbi ("RMB") and HK$. The Group closely monitors such foreign exchange exposure and will consider hedging significant currency exposure should the need arise. However, since the Group's consolidated financial statements are presented in HK$ which is different from its functional currency, being RMB, it is inevitable that the Group would face foreign exchange exposure in this respect, whether positive or negative, from translating the accounts to its presentation currency.

Pledge of Assets

At the end of the reporting period, certain of the Group's buildings and structures with aggregate carrying amount of HK$52.4 million together with short-term bank deposits of HK$425.9 million were pledged to secure bank loans to the extent of HK$400.0 million granted to the Group and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$96.6 million (31 December 2015: certain of the Group's buildings and structures and plant and machinery with aggregate carrying amount of HK$133.9 million, prepaid lease payments on land use rights with carrying amount of HK$6.0 million, an other principal protected deposit with carrying value of HK$143.4 million together with short-term bank deposits of HK$424.9 million were pledged to secure bank loans to the extent of HK$777.5 million granted to the Group and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$69.2 million).

Material Capital Commitments and Investments

As announced by the Company on 15 February 2012, 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 ("JV Company") to operate and manage the Bailonggang Project after the relevant government approvals for the Bailonggang Project being obtained. The 50% share of registered capital of the JV Company attributable to the Group amounting to RMB400 million (equivalent to approximately HK$476.2 million (31 December 2015: HK$477.9 million)) will 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 million (equivalent to approximately HK$452.4 million (31 December 2015: HK$454.0 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 2016, Shanghai SAC settled the first installment of the total consideration under the three respective agreements in an aggregate amount of RMB68.3 million (31 December 2015: RMB68.3 million) (equivalent to approximately HK$81.3 million (31 December 2015: HK$81.6 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.

As announced by the Company on 28 January 2016, Kingwood Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, and 深圳市華融泰資產管理有限公司 (Shenzhen Waranty Asset Management Co., Ltd.*) ("Shenzhen Waranty") entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to purchase, and Shenzhen Waranty conditionally agreed to sell, an aggregate of 60% equity interest in Ziguang Pharmaceutical, a sino-foreign joint venture enterprise established in the PRC, representing the entire interest held by Shenzhen Waranty in Ziguang Pharmaceutical, for an aggregate consideration of RMB291.2 million. Up to 30 June 2016, the Group had paid RMB29.1 million (equivalent to approximately HK$34.6 million) as deposit of the transaction. The acquisition was completed and the remaining balance of consideration was paid in July 2016. Details of the transaction were set out in the announcement and circular of the Company dated 28 January 2016 and 22 March 2016, respectively.

Event after the End of the Reporting Period

As mentioned above in the section headed "Material Capital Commitments and Investments", the acquisition of Ziguang Pharmaceutical was completed in July 2016.

On 22 July 2016, the Board has resolved to grant to certain eligible participants ("Grantees"), subject to acceptance by such Grantees, a total of 148,500,000 share options ("Share Options") to subscribe for a total number of 148,500,000 ordinary shares of HK$0.002 each of the Company ("Shares") in the share capital of the Company under the share option scheme of the Company adopted on 28 April 2011. Each Share Option shall entitle the Grantees to subscribe for one Share upon exercise of such Share Option at an exercise price of HK$0.68 per Share. 123,800,000 Share Options are valid from 22 July 2016 to 21 July 2020 and 24,700,000 Share Options are valid from 22 July 2016 to 21 July 2021. All the Share Options shall be vested in accordance with their respective vesting conditions of the Share Options. Details of the grant of the Share Options were set out in the announcement of the Company dated 22 July 2016.

Employees

As at 30 June 2016, the Group had 404 (31 December 2015: 306) employees. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

Strategic Business Development

Cement Business

Regarding cement production, the Group has always insisted on carrying out technological revamps and energy-saving efforts. The Group is actively studying the use of straw as an alternative fuel which can protect the ecosystem by both assisting the disposal of straw and better utilising resources. Continuing to fulfill its corporate social responsibilities, the Group will strictly comply with the "Staggering Production in Summer". During the suspension period, the Group will inspect and repair its cement kilns, carry out technological revamp, repair and maintain environmental protection equipment and offer training to its staff. Salary payment will be maintained during the suspension period. After resumption of production, the Group will ensure that the emission level complies with the required standard. The Group also coordinated with its regional peers to promote a market-oriented cement and clinker materials allocation system in order to secure market supplies, maintain an orderly market and satisfy market demand.

According to the recently issued 《〈中國製造2025〉山東省行動綱要》(Action Plan of Shandong Province Regarding "Made in China 2025"*), Shandong province will focus on developing several types of special cements and will lead cement businesses to expand their industry chain. Following the direction, the Group will designate a team to study the viability of producing the special cements in order to identify new development opportunities.

Medical, Pharmaceutical and Health Industry Business

The Board is of opinion that the acquisition of Ziguang Pharmaceutical is a valuable investment opportunity and will raise the Group's profile in the medical, pharmaceutical and health industry, and also create new revenue streams for the Group and further enhance Shareholders' value.

Outlook

During the first half of 2016, the global economy was unstable with many uncertainties. Global economic recovery fell short of expectations and trade remained weak. The macro-economic policies of major economies continued to diverge, causing volatility in the international financial market. As for the PRC, despite the constantly satisfactory economic development, the accumulated and "deep-seated" problems became more obvious, making reform and transformation more difficult. As such, the economy still faces challenges and huge downward pressure ahead.

According to the statistics of the National Bureau of Statistics, between January and June 2016, the total investment in fixed assets in the PRC amounted to RMB25.836 trillion, representing a growth rate of 9%, down 2.4 percentage points as compared with the same period of last year. The total investment in real estate development was RMB4.6631 trillion, represented a year-on-year increase of 6.1% but the growth rate decreased by 0.9 percentage point as compared with the period from January to May 2016. Businesses were suffering as overproduction in traditional industries was still remarkable, market demand remained weak, industrial product prices continued to drop while high production costs, weak sales, liquidity problems, credit crunch and high financing costs were still hurting businesses.

With continual decrement in investment growth, it is expected that the cement demand in the PRC will remain weak, oversupply will persist and cement prices will stay low in 2016. Nonetheless, the long-awaited 《中長期鐵路網規劃》 (Medium- and Long-term Railway Network Plan*) has recently been issued by the National Development and Reform Commission of the PRC, pursuant to which nearly 30,000 kilometres of railway will be constructed during the period covered by the Thirteenth Five-Year Plan, thereby providing new stimulus to other components of the railway investment chain, such as infrastructure, railway equipment and building materials. The infrastructure industry will be benefited the most, thus boosting the demand for steel, cement and other building materials.

As for the medical, pharmaceutical and health industry business, the Group will keep pace with the development of China's industry and take the initiative to explore new business models and investment opportunities to enrich the Group's development in the future. The focus of the Group will be placed on the philosophy of "regional medical services, centralised management and commercialised operation" as its core development. Overall, the Group aims to develop into a magnificent medical-and-health-oriented enterprise, while creating more value for the Group's business partners and the Company's shareholders, which is the vision of the Group for its future development.

USE OF PROCEEDS FROM OPEN OFFER

As announced on 7 November 2014, the Company raised approximately HK$495.0 million before expenses by way of the Open Offer of 330,000,000 new ordinary shares of the Company ("Offer Shares") at a subscription price of HK$1.5 per Offer Share on the basis of one Offer Share for every two ordinary shares of the Company held by the shareholders of the Company ("Shareholders"). The Open Offer was completed on 22 December 2014. It was intended that the entire amount of the net proceeds amounting to approximately HK$487.3 million from the Open Offer after deducting the relevant expenses would be applied by the Group for the funding of the development of and/or investment in pharmaceutical and health industry business. Up to the date of this announcement, a total of HK$375.7 million were used to settle the consideration for the acquisition of 60% equity interest in Ziguang Pharmaceutical and to invest in other medical and pharmaceutical project. The remaining amount will be used as intended.

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 2016 (2015: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2016, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management 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 2016. 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 management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 2016 ("2016 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 2016 interim financial results set out above does not constitute the Company's statutory financial statements for the six months ended 30 June 2016 to be included in the 2016 Interim Report.

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

Hong Kong, 26 August 2016

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

* *For identification purposes only*