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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Directors") of Tongfang Kontafarma Holdings Limited (the "Company") announces that the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Revenue – goods and services	(3)	**2,726,404**	2,093,724
Cost of sales and services		**(1,977,697)**	(1,530,726)
Gross profit		**748,707**	562,998
Other income	(4)	**39,781**	44,774
Other gains and losses		**41,535**	4,427
Impairment losses under expected credit loss model, net of reversal		**(4,941)**	(2,454)
Impairment losses on property, plant and equipment and intangible assets		**(31,921)**	–
Distribution and selling expenses		**(342,951)**	(243,605)
Administrative expenses		**(157,410)**	(156,275)
Other expenses		**(34,711)**	(31,385)
Finance costs		**(127,246)**	(43,851)
Share of results of an associate		**(303)**	(12,704)
Share of results of a joint venture		**(9,716)**	(13,059)
Profit before taxation		**120,824**	108,866
Taxation	(5)	**(60,927)**	(37,354)
Profit for the year	(6)	**59,897**	71,512

	Note	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Other comprehensive (expense) income:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to presentation currency		**(26,480)**	(76,768)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(1,015)**	1,760
Fair value change on debt instrument at fair value through other comprehensive income		**(336)**	(298)
Reclassify to profit or loss upon disposal of debt instrument at fair value through other comprehensive income		**634**	–
Other comprehensive expense for the year		**(27,197)**	(75,306)
Total comprehensive income (expense) for the year		**32,700**	(3,794)
Profit for the year attributable to:			
Owners of the Company		**22,290**	32,499
Non-controlling interests		**37,607**	39,013
		59,897	71,512
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**3,787**	(21,228)
Non-controlling interests		**28,913**	17,434
		32,700	(3,794)
		HK cent	*HK cent*
Earnings per share	*(7)*		
Basic		**0.40**	0.60
Diluted		**0.40**	0.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**2019** ***HK$'000*** ***(Unaudited)***	2018 *HK$'000* *(Audited)*
Non-current assets			
Property, plant and equipment		**604,164**	641,732
Right-of-use assets		**540,697**	–
Deposits for equipment and machineries		**26,453**	77,827
Prepaid lease payments on land use rights		**–**	111,736
Investment properties		**4,615**	4,855
Goodwill		**433,600**	437,569
Intangible assets		**328,067**	322,093
Interests in an associate		**–**	303
Interests in a joint venture		**–**	45,375
Deferred tax assets		**81**	2,663
Rental deposits		**14,406**	12,211
Contract costs		**3,104**	3,043
Pledged bank deposits		**–**	2,216
		1,955,187	1,661,623
Current assets			
Properties held for sale		**2,166**	2,204
Biological assets		**10,447**	4,295
Inventories		**115,328**	114,903
Trade receivables	*(9)*	**1,145,749**	686,591
Contract costs		**5,062**	11,481
Other receivables, deposits and prepayments		**140,968**	164,554
Loans receivables		**16,791**	106,036
Financial assets at fair value through profit or loss		**68,096**	107,633
Debt instrument at fair value through other comprehensive income		**–**	31,336
Other investment		**20,000**	20,000
Prepaid lease payments on land use rights		**–**	3,281
Amount due from a joint venture		**–**	343
Amount due from an associate		**80,239**	71,886
Amounts due from other related parties		**221,943**	204,525
Pledged bank deposits		**68,480**	50,543
Cash and cash equivalents		**148,298**	101,230
		2,043,567	1,680,841

	Note	**2019**	2018
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
Current liabilities			
Trade and bills payables	*(10)*	**451,059**	284,457
Other payables and deposits received		**254,825**	144,586
Amount due to an intermediate holding company		**100,813**	16,164
Amounts due to other related parties		**37,927**	38,445
Tax liabilities		**114,652**	105,533
Bank and other borrowings due within one year		**455,408**	548,896
Provision of reinstatement cost		**48,555**	42,962
Deferred income		**1,120**	285
Contract liabilities		**51,864**	117,525
Lease liabilities/obligations under finance leases		**74,221**	1,009
		1,590,444	1,299,862
Net current assets		**453,123**	380,979
Total assets less current liabilities		**2,408,310**	2,042,602
Capital and reserves			
Share capital		**11,177**	11,177
Share premium and reserves		**1,387,380**	1,382,204
Equity attributable to owners of the Company		**1,398,557**	1,393,381
Non-controlling interests		**517,273**	515,680
Total equity		**1,915,830**	1,909,061
Non-current liabilities			
Bank and other borrowings due after one year		**–**	96
Deferred taxation		**104,519**	106,297
Provision of reinstatement cost		**17,223**	14,754
Deferred income		**–**	186
Contract liabilities		**2,331**	11,785
Lease liabilities/obligations under finance leases		**368,407**	423
		492,480	133,541
		2,408,310	2,042,602

Notes:

(1) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements included disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

(2) APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of these new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases, and the related interpretations.

The Group applied HKFRS 16 from 1 January 2019. The Group applied the modified retrospective approach and has not restated comparative amounts with the cumulative effect recognised at the date of initial application. Right-of-use assets relating to the Group's operating leases are measured at the amount of lease liabilities on initial application by applying HKFRS 16.C8(b)(ii) transition, adjusted by the amount of any prepaid or accrued lease liabilities.

At 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets are initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities; whereas the lease liability is initially measured at the present value of the lease payments that are unpaid at the date, and subsequently adjusted for the interest and lease payments, as well as the impact of lease modification, amongst others.

On transition, other than the reclassification of prepaid lease payments of HK$115,017,000, the Group recognised lease liabilities of HK$510,068,000 and right-of-use assets of HK$623,206,000 at 1 January 2019.

(3) REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2019				2018			
	Medical, pharmaceutical and health business *HK$'000* *(Unaudited)*	**Fitness business** *HK$'000* *(Unaudited)*	**Cement business** *HK$'000* *(Unaudited)*	**Total** *HK$'000* *(Unaudited)*	Medical, pharmaceutical and health business *HK$'000* *(Audited)*	Fitness business *HK$'000* *(Audited)*	Cement business *HK$'000* *(Audited)*	Total *HK$'000* *(Audited)*
Types of goods and services								
Manufacture and sales of prescription drugs and laboratory related products	**617,231**	**–**	**–**	**617,231**	495,757	–	–	495,757
Operation of fitness centres and provision of consultation services for fitness and health activities								
– personal training classes	**–**	**88,586**	**–**	**88,586**	–	130,837	–	130,837
– membership packages	**–**	**159,760**	**–**	**159,760**	–	179,655	–	179,655
Royalty fee income in relation to fitness and health activities in Taiwan	**–**	**55,571**	**–**	**55,571**	–	54,182	–	54,182
Service fee income in relation to fitness and health activities in Taiwan	**–**	**–**	**–**	**–**	–	2,993	–	2,993
Manufacture and sales of cement and clinker	**–**	**–**	**472,915**	**472,915**	–	–	447,738	447,738
Trading of cement	**–**	**–**	**1,332,341**	**1,332,341**	–	–	782,562	782,562
Total	**617,231**	**303,917**	**1,805,256**	**2,726,404**	495,757	367,667	1,230,300	2,093,724
Timing of revenue recognition								
Point in time	**617,231**	**169,309**	**1,805,256**	**2,591,796**	495,757	130,837	1,230,300	1,856,894
Over time	**–**	**134,608**	**–**	**134,608**	–	236,830	–	236,830
Total	**617,231**	**303,917**	**1,805,256**	**2,726,404**	495,757	367,667	1,230,300	2,093,724
Geographical markets								
People's Republic of China (the "PRC")	**617,231**	**–**	**1,805,256**	**2,422,487**	495,757	26,490	1,230,300	1,752,547
Singapore	**–**	**248,346**	**–**	**248,346**	–	284,002	–	284,002
Taiwan	**–**	**55,571**	**–**	**55,571**	–	57,175	–	57,175
Total	**617,231**	**303,917**	**1,805,256**	**2,726,404**	495,757	367,667	1,230,300	2,093,724

Information reported to the chief executive of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on business units. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. 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.

Segment revenue and results

Analysis of the Group's segment revenue and results is as follows:

	Medical, pharmaceutical and health business		**Fitness business**		**Cement business**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	*(Audited and restated)*	***(Unaudited)***	*(Audited and restated)*	***(Unaudited)***	*(Audited and restated)*	***(Unaudited)***	*(Audited and restated)*
Segment revenue from external customers	**617,231**	495,757	**303,917**	367,667	**1,805,256**	1,230,300	**2,726,404**	2,093,724
Segment results	**28,759**	45,960	**73,041**	66,856	**41,097**	52,072	**142,897**	164,888
Unallocated corporate income							**2,251**	4,072
Unallocated corporate expenses							**(24,324)**	(60,094)
Profit before taxation							**120,824**	108,866

There was no inter-segment sales during the years ended 31 December 2019 and 31 December 2018. For the year ended 31 December 2018, segment results represent the profit from each segment without allocation of unallocated corporate income and expenses, and finance costs. In current year, basis of measurement of segment results reported to the chief operating decision maker has changed to include finance costs in segment results. Accordingly, the comparative information for the year ended 31 December 2018 has been represented to conform with the current year's measurement. This is the measure reported to the chief operating decision maker of the Company for the purposes of resource allocation and performance assessment.

(4) OTHER INCOME

	2019 *HK$'000* *(Unaudited)*	2018 *HK$'000* *(Audited)*
Interest income from banks	**1,710**	4,189
Interest income from loans receivables	**1,871**	6,178
Interest income from a non-controlling shareholder of the Group's subsidiary	**4,522**	5,683
Interest income from other receivables	**–**	322
Interest income from debt instrument at fair value through other comprehensive income	**928**	1,238
Interest income from other investment	**578**	45
Interest income from a joint venture	**–**	287
	9,609	17,942
Government grant and subsidy		
– release from deferred income	**471**	6,824
– expenses related	**10,778**	12,342
Sales of scrap	**990**	1,034
Rental income	**5,497**	3,693
Service income	**6,991**	–
Sundry income	**5,445**	2,939
	39,781	44,774

(5) TAXATION

	2019 *HK$'000* *(Unaudited)*	2018 *HK$'000* *(Audited)*
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	**49,726**	33,456
– Hong Kong Profits Tax	**10**	10
– Singapore Corporate Income Tax	**469**	587
– Taiwan Corporate Income Tax	**8,336**	6,811
	58,541	40,864
Under (over) provision in prior years		
– PRC Enterprise Income Tax	**1,755**	(535)
– Hong Kong Profits Tax	**10**	(9)
	1,765	(544)
Deferred tax	**621**	(2,966)
	60,927	37,354

(6) PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Profit for the year has been arrived at after (crediting)/charging:		
Amortisation of intangible assets	**16,975**	12,711
Depreciation of investment properties	**157**	162
Depreciation of property, plant and equipment	**58,833**	68,622
Depreciation of right-of-use assets	**84,428**	–
Total amortisation and depreciation	**160,393**	81,495
Cost of inventories recognised as expenses	**1,735,927**	1,173,144
Research and development expenses (included in other expenses)	**33,706**	25,283
Release of prepaid lease payments on land use rights	**–**	3,396
Operating lease rentals in respect of premises	**–**	106,554
Net loss on disposal and write-off of property, plant and equipment	**6,148**	4,077
Net foreign exchange loss	**600**	9,338
Property rental income, net of eligible outgoing expenses	**(5,497)**	(3,693)
Lease payments for short-term leases and low-value assets	**6,543**	–
Written off on loans receivables	**34,284**	45,447

(7) EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Earnings for the purposes of basic and diluted earnings per share – attributable to owners of the Company	**22,290**	32,499

	2019	2018
	Shares	*Shares*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**5,578,713,777**	5,455,121,336

(8) DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

No dividend was declared or paid by the Company during the year ended 31 December 2019 (2018: Nil).

(9) TRADE RECEIVABLES

Other than the trade receivables in relation to the payment to be settled through credit cards, the Group has a policy of allowing its trade customers credit periods normally from 30 days to 1 year. The aged analysis of trade receivables, net of allowance for credit losses, is presented based on the invoice date at the end of the reporting period as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 to 90 days	**600,256**	296,537
91 to 180 days	**373,874**	197,311
181 to 365 days	**161,746**	181,889
Over 1 year	**9,873**	10,854
	1,145,749	686,591

As at 31 December 2019, total bills received amounting to HK$154,783,000 (2018: HK$145,210,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

(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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 to 90 days	**336,182**	133,343
91 to 180 days	**28,489**	51,844
181 to 365 days	**79,649**	89,283
Over 1 year	**6,739**	9,987
	451,059	284,457

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2019, the Group was principally engaged in the (i) manufacturing and sales of prescription drugs, including chemical drugs and prescribed traditional Chinese medicines in the PRC, and laboratory related products; (ii) operating of fitness centres and provision of consultation services for fitness and health activities, and operating of franchise business for royalty and service fee income; and (iii) manufacturing and sales of cement and clinker and trading of cement with operations in Shandong province and Shanghai in the PRC.

Financial Results

The revenue of the Group for the year ended 31 December 2019 was approximately HK$2,726.4 million (2018: HK$2,093.7 million), representing an increase of 30.2% as compared to the previous year. The profit for the year of the Group was HK$59.9 million (2018: HK$71.5 million). The basic earnings per share amounted to HK0.40 cent (2018: HK0.60 cent).

The Group recorded a decrease in the profit for the year ended 31 December 2019 as compared to that for the year ended 31 December 2018. It was primarily attributable to the overall improvement in the business performance of various segments of the Group leading to the increase in gross profit offset by the (i) impairment losses on property, plant and equipment and intangible assets amounting to approximately HK$31.9 million; (ii) increase in distribution and selling expenses by approximately HK$99.3 million and (iii) increase in finance costs by approximately HK$83.4 million.

Business Review

Medical, Pharmaceutical and Health Business

2019 was a year of drastic changes in the international environment and a year of domestic reforms conquering obstacles. It was also a critical year to promote high-quality development and overcome difficulties. The Chinese economy advanced in spite of difficulties and insisted on promoting supply-side structural reforms to move forward with high-quality development. Meanwhile, 2019 was also a significant year for policies of the Chinese pharmaceutical market and the release of the new National Drug Catalog for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance* (《國家基本醫療保險、工傷保險和生育保險藥品目錄》), which had restructured the market landscape. The implementation of the new Pharmaceutical Administration Law of the PRC* (《中華人民共和國藥品管理法》), the continuing propulsion of consistency evaluation of drugs and the "4+7" procurement policy with target quantity, and the implementation of the policy of "DRGs" (Diagnosis Related Groups) posed tremendous challenges and at the same time produced vast opportunities for the pharmaceutical industry. After in-depth considerations in light of the above situation, the Group has made aggressive adjustments in various aspects such as market development and product layout and achieved remarkable results for its medical, pharmaceutical and health business. In terms of the Active Pharmaceutical Ingredients ("API") segment, great market feedback and considerable orders were obtained for the newly developed products. In terms of the laboratory animal segment, the adjustment to the product structure was successful, and the profitability has been significantly improved. In terms of the generic medicine segment, breakthroughs were achieved in several provinces and autonomous regions, with very optimistic sales growth momentum. Looking back on this year, the reason why the Group achieved the results above is inseparable from the spirit of all the employees of the Group to defy any hardship, forge through formidable circumstances and overcome various difficulties. The Group will maintain this style and positive trend, and strive to achieve greater success.

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

Tongfang Pharmaceutical is principally engaged in the production and sales of chemical generic medicine with 30,000 square meters of drug production workshops in Yanqing District, Beijing. Its key products are prescription drugs and its therapeutic areas mainly include drugs for local anesthesia and gynecological purposes. For the year ended 31 December 2019, the revenue of Tongfang Pharmaceutical amounted to RMB318.6 million, representing a growth of 34.0% as compared to RMB237.7 million for 2018. For the year ended 31 December 2019, the gross profit of Tongfang Pharmaceutical amounted to RMB285.3 million, representing a growth of 34.1% as compared to RMB212.7 million for 2018.

Facing a diverse and complex external environment and significant pressures and challenges in 2019, Tongfang Pharmaceutical implemented a series of effective measures to increase the corporate competitiveness such as developing new products, cultivating talents, reinforcing the scientific manufacturing level and strengthening internal control. In 2019, Tongfang Pharmaceutical's new product, Jing You Neng* (精優能), was officially launched in the market and achieved good responses. Tongfang Pharmaceutical also introduced a number of professionals to add to various fields to comprehensively improve the overall quality of its products. Tongfang Pharmaceutical has been advocating the use of green energy and the photovoltaic power facilities were officially put into use in December 2019 after several years of construction and coordination. 1.8 million kilowatt-hours of electricity will be generated annually from solar photovoltaic power in the future, which not only meets the company's use, but also contributes considerable electricity to the national grid. Tongfang Pharmaceutical continuingly reinforced the management and control of risks, and adjusted and improved various systems and processes. Tongfang Pharmaceutical also strengthened safety production education, carried out regular safety drills and implemented the safety production responsibility system. Throughout the year, Tongfang Pharmaceutical has passed various inspections for certifications, including the Good Manufacturing Practice ("GMP") certification, Hi-tech Enterprise Certification* (高科技企業認證), Beijing High-end Precise and Advanced Enterprise Certification* (北京市高精尖企業認證), Zhongguancun Gazelle Enterprise Certification* (中關村瞪羚企業認證) and several "unannounced inspections" by the National Medical Products Administration ("NMPA"). The cultivation of team and corporate culture had made remarkable results, and reforms and adjustments have been made to key departments, resulting in a more reasonable and optimized team deployment. Further, Tongfang Pharmaceutical increased its investment in research and development and constantly improved its product structure, eventually achieving a higher growth.

2. *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 business in the Chinese medicine-related fields, including the planting, manufacturing and distribution of Chinese medicines and operating a production facility in Baoji, Shaanxi. For the year ended 31 December 2019, the revenue of Shaanxi Life Care amounted to RMB68.0 million, representing a decrease of 7.6% as compared to RMB73.6 million for 2018. For the year ended 31 December 2019, the gross profit of Shaanxi Life Care amounted to RMB37.0 million which remained steady as compared to RMB37.0 million for 2018.

In 2019, under the proper leadership of the Group and with the joint efforts of the management and all employees, Shaanxi Life Care vigorously improved the quality level and management level, and awards were successively won throughout the year, including the Outstanding Qin Medicine Enterprise in Shaanxi* (陝西傑出秦藥企業), the Premium Product in Shaanxi Province* (陝西省優勢產品) awarded to its Shugan Kuaiwei Pills* (舒肝快胃丸), the May 1st Labour Medal* (五一勞動獎章) of Baoji City won by its general manager, the title of the Advanced Grassroots Party Organization* (先進基層黨組織) won by Shaanxi Life Care's party branch, and the titles of the Most Beautiful Craftsman Award* (最美工匠獎) and the Excellent Party Member* (優秀共產黨員) received by several employees. Shaanxi Life Care passed all the GMP inspections, unannounced inspections by NMPA and inspection for the High and New Technology Enterprise Certification for 2019. Shaanxi Life Care also received numerous support from the Department of Industry and Information Technology of Shaanxi Province due to environmental protection measures such as water saving and coal to gas conversion. Shaanxi Life Care has formulated a capacity improvement plan for 2020 and begun to implement it to strive to achieve its overall uplift in the near future.

3. *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 API and intermediate API in Chongqing Changshou Chemical Industrial Park. For the year ended 31 December 2019, the revenue of Chongqing Kangle amounted to RMB91.0 million, representing an increase of 40.2% as compared to RMB64.9 million for 2018. For the year ended 31 December 2019, the gross profit of Chongqing Kangle amounted to RMB21.3 million, representing an increase of 62.6% as compared to RMB13.1 million for the 2018.

In 2019, Chongqing Kangle fully launched its new product Hydroxychloroquine Sulfate in the market and entered into strategic cooperation agreements with domestic pharmaceutical companies, which allows it to achieve steady growth in the next few years. Since Chongqing Kangle is located within Changshou National Heavy Chemical Industrial Zone* (長壽國家重化工園區) in Chongqing, it is subject to relatively stringent regulation by the environmental protection, safety and other departments. In addition, due to its foreign certifications such as Current Good Manufacturing Practices (cGMP) and the World Health Organization ("WHO"), Chongqing Kangle is also subject to frequent examination, verification and audit procedures in a year, which, to a certain extent, will affect its production schedule. However, with extensive experience accumulated over the years in dealing with the above situation and minimizing the relevant impact, in 2020, Chongqing Kangle will continue to devote to research and development, introduction of new products, construction of ancillary facilities, environmental protection as well as safety to ensure its rapid growth in the future.

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 supply of standardized laboratory animals and animal indigenous raw materials. For the year ended 31 December 2019, the revenue of SPF amounted to RMB63.8 million, representing an increase of 45.7% as compared to RMB43.8 million for 2018. For the year ended 31 December 2019, the gross profit of SPF amounted to RMB30.0 million, representing an increase of 19.1% as compared to RMB25.2 million for 2018.

In 2019, SPF has successfully transformed its principal business from providing biopharmaceutical raw materials to providing high-quality laboratory animals, and the revenue from sales of laboratory animals accounted for more than 75% of its revenue in 2019, which has successfully pulled the company back to a robust and safe track (the laboratory animal industry was categorized by the National Development and Reform Commission as an industry to which the State gives priorities in 2019). In 2019, SPF made more efforts in quality management, talents introduction and market expansion with several strains passing the Specific Pathogen Free test at the end of the year, which allows it to basically become the only company in China that can provide a variety of Specific Pathogen Free laboratory animals. In addition, the purification platform and inspection platform built by the company have also been put into use. In 2020, SPF will continue to make strategic improvements and achieve relatively significant breakthroughs in quality standards, market development and foreign cooperation.

In 2019, one could only say that the pharmaceutical industry in the PRC had treaded cautiously. The "4+7" procurement with target quantity has been continuously expanded and carried out nationwide, resulting in an average decrease in the price of variety of product offerings of more than 50% with a maximum decrease of 96%. Under the implementation of consistency evaluation and continuous deepening coverage of the Third Phase of the Golden Tax Project, the requirements for pharmaceutical enterprises have been gradually increased. Amid this situation, the Group's medical, pharmaceutical and health business has reviewed its strategy, enhanced multi-dimensional resource commitments and strengthened the scientificity of control and management to cope with such severe situation. The unity of all employees of the Group with the spirit of defying any hardship in their way and bravely forging ahead is the most important factor to contribute to the success.

5. *Apros Therapeutics, Inc. ("Apros")*

Apros was incorporated in the United States in 2016. With the advancement of science and technology, the treatment of tumor has been developed from traditional surgery treatment, radiotherapy and chemotherapy to targeted therapy and immunotherapy. At present, tumor immunotherapy has become the most effective and popular research field, mainly using the innate immune systems to treat tumors based on the immunological principles. How to activate the immune system to enable itself to better identify the cancer cells has become a research focal in this field. Apros takes the regulation of innate immunity as the starting point, and selects Toll-like receptor ("TLR") agonists with favourable biological foundation and druggability as the research target for further research and development.

Apros has three global innovative and First-in-class small molecule TLR7 agonist projects. The three clinical candidate compounds have the same target and mechanism, while its molecular structure and indication population are different. This project is currently listed as a major special scientific research project in Beijing in 2020.

Fitness Business

According to the International Health, Racquet and Sportsclub Association Global Report 2019, by the end of 2018, health club membership had topped 183 million users around the globe, an increase of 9 million, representing a growth of 5% from the previous year. Industry revenue totaled an estimated US$94 billion in 2018 as compared to US$87.2 billion in 2017 and the club count exceeded 210,000 facilities, an increase of 10,000 over 2017.

The WHO mentioned that most governments of the Asia-Pacific countries will continue to help their citizens to lead healthier lives as steady growth was recorded in 2018 in key markets around the region. It is considered that the fitness industry is on pace to reach its goal. The demand for high-quality fitness industry management education continues to soar in China, and Asia in general. Visits to clubs during the event highlighted the capability of the region's club owners to design and create fantastic spaces and business models, which rival any around the world.

The revenue of the Group's fitness business for the year ended 31 December 2019 was HK$303.9 million which includes a franchise income of HK$55.6 million (2018: HK$367.7 million (including franchise income of HK$57.2 million)). The profit for the year ended 31 December 2019 of the Group's fitness business was HK$27.7 million (2018: HK$32.2 million).

When the new management team took charge in May 2018, the Group's fitness business had 9 clubs in Singapore and 13 clubs in Taiwan under the "True Fitness" and "True Yoga" brands. The True Fitness clubs were "big box" gyms catering to the mid-market segment, offering affordable and accessible fitness options.

The new management team had conducted a review of the fitness landscape in Asia and found that boutique gyms were emerging in different places and had been posing challenges to big box gyms. Members of big box gyms were also being lured away by new and exciting fitness offerings, as well as more personalized experiences that focused on community. We thus developed "TFX" to be our beach-head to re-assert and re-establish our position in the market. TFX would be our signature brand and its featured group exercise classes, indoor cycling, yoga, personal training and equipment have an edge over its competitors. TFX was designed to be unique and different in terms of its personalised space, product offerings, exterior and sensation, which highlight TFX's boutique flavour.

We also departed from the age-old practice of fitting out the clubs with the bulk of equipment from a single brand as we believed that despite the outstanding quality of the equipment of certain brands, they are not necessarily the best in everything. The new management team is passionate about fitness, and we went about hand-picking the best pieces from different brands to provide a truly curated fitness facility for our members. TFX has equipment from specialized brands that one typically sees in "CrossFit" boxes, strongman gyms, boxing gyms and calisthenics studios.

The Taiwan operation of the Group's fitness business positioning at the mid-high market already established as a premium operator brand in the market. The Taiwan operation currently has 12 fitness and 2 yoga centres. We took over a site of our competitor and created a premium yoga centre namely "Yoga Edition" which further differentiates us from our competitions. As the premium operator, the Group's fitness business attracts higher tier members who can afford more secondary spending on personal trainings and other add-on services. The management is still exploring new locations in Tainan and Kaohsiung to strengthen our network, to make it as part of our commitment for expansion and to better serve our members.

Cement Business

For the year ended 31 December 2019, the Group's revenue from the cement business amounted to HK$1,805.3 million (2018: HK$1,230.3 million), representing an increase of 46.7% as compared to the corresponding period of the previous year. Such increase was mainly attributable to the increase in the average selling prices and sales volume of the PRC's cement market driven by the improvement of the relationship of supply and demand due to the improved cement demand of the PRC in 2019 and curbs on production capacity because the supply-side was subject to the environmental protection, prevention and control of atmospheric pollution, energy saving and other factors. For the year ended 31 December 2019, the sales volume of the Group's cement and clinker was 3,731,000 tons (2018: 2,797,000 tons), representing an increase of 33.4% as compared to the corresponding period of the previous year.

Due to the impact of the regional production restriction for peak period and halt production for hazy weather, the cement and clinker production costs for the cement business of the Group have increased significantly as compared to the corresponding period of the previous year. However, the overall price of cement has also increased greatly, ensuring the interests of the cement group for the whole year.

The Group adheres to the innovation in management and operation, unswervingly implementing the governance philosophy of "safety, environmental protection, high efficiency, low consumption and harmony". The Group also benchmarks itself against leading industry enterprises, fosters its strengths while circumventing its weaknesses, lowers the costs and enhances the efficiency, to develop itself in the direction of smart plant, information management and green industry.

Financial Review

Liquidity and Financing

The Group's capital expenditure, daily operations and investments during the year ended 31 December 2019 were mainly funded by cash generated from its operations and loans from principal bankers and third parties.

As at 31 December 2019, the Group maintained bank balances and cash reserves of approximately HK$216.8 million (2018: HK$151.8 million), including cash and cash equivalents of approximately HK$131.6 million, time deposits of approximately HK$16.7 million and pledged bank deposits of approximately HK$68.5 million (2018: cash and cash equivalents of approximately HK$90.4 million, time deposits of approximately HK$10.9 million and pledged bank deposits of approximately HK$50.5 million).

As at 31 December 2019, the Group had outstanding borrowings of approximately HK$455.4 million repayable within one year (2018: HK$548.9 million repayable within one year and HK$0.1 million repayable after one year). The Group's outstanding borrowings were denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB"), and Singapore dollars ("SGD") as to 83.5%, 12.7% and 3.8%, respectively. Around 3% 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 31 December 2019 was as follows:

	2019 ***HK$'000*** ***(Unaudited)***	2018 *HK$'000* *(Audited)*
Total borrowings	**455,408**	548,992
Total assets	**3,998,754**	3,342,464
Gearing ratio	**11.4%**	16.4%

As at 31 December 2019, a balance amounting to HK$88.5 million (2018: HK$127.7 million) was included in the amounts due from other related parties, which represent the provision of entrusted loans through a bank to Shanghai Building Material (Group) Company Limited* (上海建材(集團)有限公司) ("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, United States dollar ("US$") and HK$. 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, the Group would inevitably face foreign exchange exposure, whether positive or negative, arising from translating the accounts to its presentation currency.

Pledge of Assets

As at 31 December 2019, the Group's bank and other borrowings of HK$48.3 million (2018: HK$104.9 million), short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$222.5 million (2018: HK$169.3 million) and finance lease of HK$0.5 million (2018: HK$1.4 million) were secured by the following:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Building and structures	**50,338**	53,275
Plant and machinery	**2,744**	987
Prepaid lease payments on land use rights	**16,398**	16,459
Exchange rate linked structured deposits	**57,332**	28,412
Pledged bank deposits	**68,480**	52,759
Bills receivables	**17,490**	–
Bank balance	**599**	–
	213,381	151,892

Material Capital Commitments and Investments

As announced by the Company on 15 February 2012, Shanghai Allied Cement Co., Ltd* (上海聯合水泥有限公司) ("Shanghai SAC") entered into the Bailonggang Project Construction Cooperation Agreement* (《關於建設「白龍港項目」合作協議》) and the Principle Agreement for the Establishment of the Joint Venture Company* (《關於設立合資公司(原則)協議》) 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$448.0 million (2018: HK$456.0 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$425.6 million (2018: HK$433.2 million)), for future use in the Bailonggang Project. The Company does not intend to retain such equipment and machineries for its own use. On 23 April 2019, Shanghai SAC has agreed to cancel one of the purchase agreements with consideration of RMB235.0 million (equivalent to approximately HK$267.9 million) with the seller and the respective first payment of RMB44.7 million (equivalent to HK$50.9 million) has been refunded. As at 31 December 2019, Shanghai SAC has made the respective first payments of the remaining two purchase agreements amounting to RMB23.6 million (equivalent to approximately HK$26.5 million). Details of the transaction were set out in the announcement and circular of the Company dated 3 October 2012, 15 November 2012 and 24 April 2019, respectively.

Non-fulfilment of Guaranteed Profit and Related Accounting Treatment in the 2019 Consolidated Financial Statements of the Group

Reference is made to the acquisition by Fester Global Limited ("Fester Global"), a wholly owned subsidiary of the Company, of certain equity interest in TFKT True Holdings (the "True Cayman", together with its subsidiaries, the "True Cayman Group") as disclosed in the announcements and circular of the Company respectively dated 7 May, 29 May and 28 July 2017 (the "Acquisition") pursuant to which Active Gains Universal Limited ("Active Gains") and Mr. Patrick John Wee Ewe Seng (respectively, the vendor under the Acquisition and the then ultimate controlling shareholder of True Cayman, collectively the "Guarantors") had undertaken, amongst others, that if the audited consolidated net profit after tax of the True Cayman Group for the year ended 31 December 2019 would be less than US$13,800,000 (subject to a 10% buffer of downward adjustment) (the "Guaranteed Amount"), Active Gains would have obligation to pay to the Group an amount equal to the shortfall.

Based on the consolidated unaudited accounts of the True Cayman Group for the corresponding year made available to the Company for the purpose of preparing the consolidated financial statements of the Group for the year ended 31 December 2019, the Directors are of the opinion that the Guaranteed Amount would not be fulfilled, thereby resulting in recognition of other gain of US$7,400,000 (or HK$57,350,000) (2018: US$7,600,000 (or HK$58,900,000)). The US$7,400,000 represents the shortfall (the "Shortfall") recognised under the applicable accounting principles in the consolidated financial statements of the Group for the year ended 31 December 2019. As at the date of this announcement, the consolidated audited accounts (as defined in the sales and purchase agreement for the Acquisition signed in May 2017) of the True Cayman Group for the year ended 31 December 2019 is not available yet. The Shortfall may be adjusted when the said accounts are available.

As disclosed in the announcement of the Company dated 14 August 2019, disputes arose between the Group and the Guarantors, which brought legal proceedings against Fester Global and the Company alleging, amongst others, that the profit guarantee given by the Guarantors in favour of Fester Global and the Company in respect of the True Cayman Group for the financial year ended 31 December 2019 cease to have effect, and the Guarantors are claiming for the balance of purchase price of US$3,500,000 payable by the Group under the Acquisition.

The Group has been defending against the claims and allegations of the Guarantors under the aforesaid legal proceedings vigorously and filed a defence to the court on 12 December 2019. The Directors are of the opinion that the filing of the defence is in the interest of the Company and its shareholders ("Shareholders") as a whole. Further announcement will be made by the Company to keep its Shareholders and investors informed of any material development of the legal proceedings as and when appropriate, or where so required by virtue of Rule 14.36(B) of the Listing Rules.

Employees

As at 31 December 2019, the Group had 1,500 (2018: 1,527) 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

The medical and pharmaceutical industry in the PRC is increasingly challenging, with the determination of national medical reform being firm and strong. The Group had been confident to confront the market condition, adopt proactive measures and make adjustments accordingly, thereby making certain achievements. On the basis of steady progress in 2019, the Group will seize the historic opportunities and make major breakthroughs in 2020 by utilizing innovative thinking to drive development with a focus on new retail models, new product research and development, consistency evaluation, etc. Meanwhile, the Group will make scientific investment in facilities and equipment to ensure its development with efficient resource commitments. Finally, the Group will continue to make adjustments and improvements in respect of system construction and risk control, and capitalize on scientific management and control to facilitate its development, to ultimately achieve rapid development in 2020 and the next ten years.

Further, as disclosed in the announcement of the Company dated 3 February 2020, Chongqing Kangle had been accredited by NMPA to manufacture the API Chloroquine Phosphate, which has been tested and proved to have certain curative effect in combating the Pneumonia infected from the novel coronavirus (the "COVID-19"). Further, the API Chloroquine Phosphate has been included in the list of central medical reserve* (中央醫藥儲備) of the PRC. The Group considers that such achievement was resulted from the Group's dedication to the research and development of new products with high quality.

Fitness Business

Singapore Government statistics confirm overall demand is on the rise with annual fitness centres visits increasing from 1.8 million to 2.5 million in the five years to 2018. The Health Promotion Board has been quite aggressive in asking people to get fit, and pushing out programs that reward increased health. As a quarter of the country's 5.7 million population are expatriates, wellness trends from the United States, United Kingdom and Australia, as well as other parts of Asia, are also diffusing into the market.

One of the biggest challenges fitness operators face is the risk of copying, in a domestic economy characterized by caution to new ideas.

In recent years, Taiwan's government has actively promoted the development plan of the sports service industry, promoted the establishment of relevant laws and regulations, and improved the environment for the core industry of sports services. The Group will continue to promote the atmosphere of sports to increase the interest of public participation, and then expand the demand of the sports market. According to statistics of the Ministry of Finance of Taiwan, the number of Taiwan's overall sports service industry has grown from 1,462 in 2013 to 1,835 in 2016, and has broken through to 2,040 in 2017. In terms of the overall revenue of the sports service industry, it increased from NT$21.44 billion in 2016 to NT$24.16 billion in 2017. The total consumption expenditure of Taiwan's popular sports in 2017 was NT$126.22 billion, representing a significant growth trend over the previous year. The number of fitness centers and overall revenue have been rising year by year. With the rise of fitness, Taiwanese are more willing to invest funds and time to participate in sports and fitness than in the past, and then catalyze the sports venue industry to actively develop towards a diversified business model.

How to create business advantages, create high-quality sports space and services, and improve consumer loyalty to the brand will be important for our future development and expansion.

Management is consistently monitoring the revolving situation of COVID-19 and constantly updates strict precautionary measures to ensure a safe environment for our members to continue their workout. The industry has been advocating that it is important for individuals to continue to exercise to boost their immune system which is the most important element to counter the COVID-19. As of the date of this announcement, Singapore and Taiwan governments have not enforced a lock-down or indicated that they will do so. The situation in both Singapore and Taiwan is in control. While business carries on as usual during this period, we do face more challenges in setting up appointments for new sales especially in Singapore and see a trend for increase in request of membership suspension. We expect new sales in Singapore and Taiwan to be impacted as a result.

Cement Business

In 2019, the cement production volume in the PRC was 2,330 million tonnes, representing a year-on-year increase of 6.1%. The discontinued production lines have been reactivated due to the highlighted profits in the cement market of some regions, leading to vicious competition in the local cement market. Since the overcapacity in the current cement industry has yet to be fundamentally resolved and the overall oversupply remained unchanged, the basis for stable operation of the industry is insecure. The entire industry shall adhere to the main line of supply-side structural reform, to promote the industry to accelerate its high-quality development.

Since all sectors in the economic society suffered severely from the sudden outbreak of COVID-19 in early 2020, the PRC government has strengthened measures to stabilize economy while fighting the epidemic. Therefore, the growth rate of infrastructure investment is expected to recover. The regulatory control of the real estate market focuses on "stability". Accordingly, the growth rate of real estate investment may experience a slowdown, while the cement demand for the year is expected to slightly decline. The year 2020 is the last year for implementing the Three-Year Blue Sky Defending Plan* ("打贏藍天保衛戰三年行動計劃"). The environment governance for atmospheric pollution will be continued and local regulatory control measures will be stricter, which will continue to contribute to supply reduction of the cement industry. Facing the pressure from upgrading of environmental protection, energy consumption quota, green mine renovation and policy uncertainties, the development of cement enterprises remains under pressure.

DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31 December 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "2020 AGM") is scheduled to be held on Wednesday, 24 June 2020. For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Thursday, 18 June 2020 to Wednesday, 24 June 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order for a Shareholder to be eligible to attend and vote at the 2020 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 17 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed below, 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 during the year ended 31 December 2019:

Code provision E.1.2 stipulated that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Due to other pre-arranged business commitments, the chairman of the Board was not able to attend the annual general meeting of the Company on 11 June 2019 and Mr. Jiang Chaowen, an executive Director and the Chief Executive Officer of the Company took chair of the annual general meeting.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report").

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2019 contained herein.

Due to work suspension and travel restrictions in the PRC resulted from the outbreak of the COVID-19 in early 2020, the auditing process for the results of the Group's cement business for the year ended 31 December 2019 has not been completed. Accordingly, despite that the major auditing procedures regarding the medical, pharmaceutical and health business, and fitness business had been completed, the consolidated annual results of the Group for the year ended 31 December 2019 contained herein have not been agreed with the Company's auditors. Based on the best estimation by the Group and the Company's auditors, it is expected that the required procedures on the Group's cement business would be completed around late April 2020 and the Company will issue further announcement as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

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

The 2019 Annual Report of the Company 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.

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

Hong Kong, 30 March 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.

* *For identification purpose only*