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 AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "Board") of directors (the "Directors") of Tongfang Kontafarma Holdings Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000 (Re-presented)
Continuing operations			
Revenue	3	**1,009,134**	921,148
Cost of sales and services		**(453,385)**	(423,679)
Gross profit		**555,749**	497,469
Other income	4	**67,043**	17,114
Other gains and losses		**(32,524)**	75,918
Impairment losses under expected credit loss model, net of reversal		**(16,713)**	(904)
Distribution and selling expenses		**(367,045)**	(338,392)
Administrative expenses		**(139,667)**	(121,854)
Other expenses		**(35,705)**	(19,769)
Finance costs		**(31,435)**	(20,480)
Share of result of an associate		**—**	(303)
Share of result of a joint venture		**—**	(9,716)
(Loss) profit before taxation		**(297)**	79,083
Taxation	5	**(19,788)**	(14,805)
(Loss) profit for the year from continuing operations	6	**(20,085)**	64,278

	2020	2019
	HK$'000	*HK$'000*
		(Re-presented)
Discontinued operation		
(Loss) profit for the year from discontinued operation	**(195,797)**	933
(Loss) profit for the year	**(215,882)**	65,211
Other comprehensive income (expense):		
Item that will not be reclassified subsequently to profit or loss:		
— Exchange difference arising on translation to presentation currency	**101,834**	(26,576)
Items that may be reclassified subsequently to profit or loss:		
— Exchange difference arising on translation of foreign operations	**(404)**	(1,015)
— Fair value change on debt instrument at fair value through other comprehensive income	**—**	(336)
— Reclassify to profit or loss upon disposal of debt instrument at fair value through other comprehensive income	**—**	634
Other comprehensive income (expense) for the year, net of tax	**101,430**	(27,293)
Total comprehensive (expense) income for the year	**(114,452)**	37,918

	Note	2020 HK$'000	2019 HK$'000 (Re-presented)
(Loss) profit for the year attributable to:			
Owners of the Company			
— from continuing operations		**(42,391)**	53,517
— from discontinued operation		**(224,773)**	(17,415)
		(267,164)	36,102
Non-controlling interests			
— from continuing operations		**22,306**	10,761
— from discontinued operation		**28,976**	18,348
		51,282	29,109
Total (loss) profit for the year		**(215,882)**	65,211
Total comprehensive (expense) income for the year attributable to:			
— Owners of the Company		**(198,385)**	17,352
— Non-controlling interests		**83,933**	20,566
		(114,452)	37,918
		HK cent	*HK cent*
(Loss) earnings per share	7		
Basic			
— from continuing operations		**(0.76)**	0.96
— from discontinued operation		**(4.03)**	(0.31)
		(4.79)	0.65
Diluted			
— from continuing operations		**(0.76)**	0.96
— from discontinued operation		**(4.03)**	(0.31)
		(4.79)	0.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**358,518**	621,703
Right-of-use assets		**629,125**	540,697
Deposits for equipment and machineries		**—**	26,453
Deposit for land use right		**15,471**	—
Investment properties		**4,740**	4,615
Goodwill		**404,265**	433,600
Intangible assets		**321,213**	334,291
Interest in an associate		**—**	—
Deferred tax assets		**190**	81
Rental deposits		**24,178**	14,406
Contract costs		**1,784**	3,104
Pledged bank deposits		**—**	11,199
		1,759,484	1,990,149
Current assets			
Properties held for sale		**—**	2,166
Biological assets		**12,846**	10,447
Inventories		**89,960**	115,328
Trade receivables	*9*	**177,124**	351,730
Contract costs		**5,958**	5,062
Other receivables, deposits and prepayments		**56,809**	912,642
Loan receivables		**—**	16,791
Financial assets at fair value through profit or loss		**8,501**	68,096
Other investment		**20,473**	20,000
Amount due from an associate		**111,108**	80,239
Amounts due from other related parties		**134,202**	221,943
Pledged bank deposits		**—**	57,281
Cash and cash equivalents		**165,819**	148,298
		782,800	2,010,023

	Note	2020 HK$'000	2019 HK$'000
Current liabilities			
Trade and bills payables	*10*	**59,395**	306,562
Other payables and deposits received		**123,272**	404,660
Amount due to an intermediate holding company		**33,738**	100,813
Amounts due to other related parties		**466**	37,927
Tax liabilities		**22,235**	114,652
Bank and other borrowings due within one year		**167,627**	455,408
Provision for reinstatement cost		—	43,805
Deferred income		—	1,120
Contract liabilities		**108,709**	51,864
Lease liabilities		**117,040**	74,221
		632,482	1,591,032
Net current assets		**150,318**	418,991
Total assets less current liabilities		**1,909,802**	2,409,140
Capital and reserves			
Share capital		**11,177**	11,177
Share premium and reserves		**1,203,009**	1,400,945
Equity attributable to owners of the Company		**1,214,186**	1,412,122
Non-controlling interests		**139,571**	508,926
Total equity		**1,353,757**	1,921,048
Non-current liabilities			
Bank and other borrowings due after one year		**29,150**	—
Deferred taxation		**76,163**	100,131
Provision for reinstatement cost		**13,254**	17,223
Contract liabilities		—	2,331
Lease liabilities		**437,478**	368,407
		556,045	488,092
		1,909,802	2,409,140

Notes:

(1) BASIS OF PREPARATION AND PRESENTATION

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 applicable 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.

During the year, the Group's cement business segment has been disposed of, which represents a separate major line of business. The profit or loss of the cement business segment up to completion of disposal has been presented in "discontinued operation" and the comparative figures has also been re-presented.

(2) APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "COVID-19-Related Rent Concessions".

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year 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.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the novel coronavirus (the "COVID-19") pandemic and only if all of the following conditions are met:

— the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the considerations for the lease immediately preceding the change;

— any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

— there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" as if the changes were not a lease modification. Forgiveness or wavier of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's fitness centres in Singapore have been waived as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early applied the amendment and applied the practical expedient to all qualifying COVID-19 related rent concessions granted to the Group during the year with no impact on the opening retained profits at 1 January 2020. The Group recognised changes in lease payments that are resulted from rent concessions received of HK$16,495,000 as "other income" in the profit or loss for the current year.

(3) REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2020			2019		
	Pharmaceutical business *HK$'000*	**Fitness business** *HK$'000*	**Total** *HK$'000*	Pharmaceutical business *HK$'000*	Fitness business *HK$'000*	Total *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15						
Disaggregated by major products or service lines						
Manufacture and sales of prescription drugs and laboratory related products	**846,383**	**—**	**846,383**	617,231	—	617,231
Operation of fitness centres and provision of consultation services for fitness and health activities						
— personal training classes	**—**	**42,028**	**42,028**	—	88,586	88,586
— membership packages	**—**	**67,205**	**67,205**	—	159,760	159,760
Royalty fee income in relation to fitness and health activities	**—**	**53,518**	**53,518**	—	55,571	55,571
Total	**846,383**	**162,751**	**1,009,134**	617,231	303,917	921,148
Timing of revenue recognition						
Point in time	**846,383**	**42,028**	**888,411**	617,231	169,309	786,540
Over time	**—**	**120,723**	**120,723**	—	134,608	134,608
Total	**846,383**	**162,751**	**1,009,134**	617,231	303,917	921,148
Geographical markets						
Mainland China	**702,551**	**—**	**702,551**	617,231	—	617,231
Singapore	**678**	**109,233**	**109,911**	—	248,346	248,346
Russia	**85,211**	**—**	**85,211**	—	—	—
Taiwan	**213**	**53,518**	**53,731**	—	55,571	55,571
Switzerland	**21,120**	**—**	**21,120**	—	—	—
Morocco	**15,913**	**—**	**15,913**	—	—	—
Uruguay	**6,301**	**—**	**6,301**	—	—	—
Other countries/regions	**14,396**	**—**	**14,396**	—	—	—
Total	**846,383**	**162,751**	**1,009,134**	617,231	303,917	921,148

Segment information

Information reported to the chief executive of the Company, being the chief operation decision maker, for the purpose of resource allocation and assessment of segment performance focuses on business units. During the year ended 31 December 2020, the Group disposed of the interests in cement business segment which was presented as "discontinued operation". The following segment information of the Group's business units does not include the discontinued operation.

The directors of the Company have chosen to organise the Group around differences in products and services. The Group is principally engaged in pharmaceutical and fitness business.

- Pharmaceutical 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 income.

The Group's reportable segments are strategic business units that offer different products or services. They are managed separately because each business requires different technology and marketing strategies.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments.

	Pharmaceutical business		**Fitness business**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Re-presented)
Segment revenue from external customers	**846,383**	617,231	**162,751**	303,917	**1,009,134**	921,148
Segment results	**121,917**	28,759	**(93,152)**	73,041	**28,765**	101,800
Unallocated corporate income					**6,636**	2,251
Unallocated corporate expenses					**(35,698)**	(24,968)
(Loss) profit before taxation					**(297)**	79,083

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by (loss from) each segment without allocation of certain corporate income and expenses. This is the measure reported to the chief operating decision makers of the Group for the purposes of resource allocation and performance assessment. There was no inter-segment sales during the years ended 31 December 2020 and 2019.

(4) OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Interest income from banks	**365**	502
Interest income from loan receivables	**—**	761
Interest income from other investment	**451**	578
Interest income from financial assets at fair value through other comprehensive income	**—**	928
	816	2,769
Government grant and subsidy		
— release from deferred income	**1,130**	471
— related to expenses *(note i)*	**20,218**	3,758
— related to employment *(note ii)*	**16,981**	—
COVID-19-related rent concessions *(note iii)*	**16,495**	—
Rental income	**1,195**	2,197
Service income	**5,530**	6,991
Sundry income	**4,678**	928
	67,043	17,114

Note i: The amount represented financial subsidies received for compensating expenses already incurred or giving immediate financial support to the Group. There are no unfulfilled conditions or contingencies in relation to the grants and the grants were determined at the sole discretion of relevant government authorities.

Note ii: During the year ended 31 December 2020, the government grant related to employment mainly arose from the Job Support Scheme ("JSS") introduced by the Singapore government in response to COVID-19 pandemic of approximately HK$12,998,000. The JSS provided wage support to employers, helping enterprises retain their local employees (Singapore citizens and permanent residents). The Group has elected to present this government grant separately in profit or loss as "other income", rather than reducing the related expense. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

Note iii: During the year ended 31 December 2020, the Group has applied a rental relief framework provided by the Singapore government. The rental relief framework provides for mandated equitable co-sharing of rental obligations between the Singapore government, landlords and tenants. The Group has early applied Amendment to HKFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification.

(5) TAXATION

Income tax has been recognised in profit or loss as follows:

	2020	2019
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Current tax		
— People's Republic of China (the "PRC") Enterprise Income Tax	**21,813**	5,982
— Singapore Corporate Income Tax	**30**	469
— Taiwan Corporate Income Tax	**8,028**	8,336
	29,871	14,787
(Over) under provision in prior years		
— PRC Enterprise Income Tax	**(1,187)**	1,222
— Hong Kong Profits Tax	**—**	10
	(1,187)	1,232
Deferred tax	**(8,896)**	(1,214)
	19,788	14,805

(6) (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging (crediting):

	2020 ***HK$'000***	2019 *HK$'000* (Re-presented)
Continuing operations		
Staff costs (including directors' and senior management's emoluments)		
— Salaries and other costs	**144,166**	189,488
— Equity-settled share-based payments	**53**	1,389
— Retirement benefits scheme contributions	**11,314**	22,403
Total staff costs	**155,533**	213,280
Less: amounts capitalised in inventories	**(21,621)**	(13,238)
Total staff costs (included in cost of sales and services, distribution and selling expenses and administrative expenses)	**133,912**	200,042
Amortisation and depreciation		
— Amortisation of intangible assets (included in administrative expenses)	**10,914**	16,686
— Depreciation of investment properties (included in administrative expenses)	**156**	157
— Depreciation of right-of-use assets (included in cost of sales and services and administrative expenses)	**79,979**	83,408
— Depreciation of property, plant and equipment (included in cost of sales and services, distribution and selling expanses and administrative expenses)	**34,275**	39,406
Total amortisation and depreciation	**125,324**	139,657
Auditor's remuneration		
— Audit service	**5,468**	4,836
— Non-audit service	**761**	1,092
Cost of inventories recognised as expenses	**259,984**	181,909
Net foreign exchange gain	**(1,610)**	(1,229)
Property rental income, net of negligible outgoing expense	**(1,195)**	(2,197)
Write-down of inventories (included in cost of sales and services)	**522**	782
Impairment loss on goodwill (included in other gains or losses)	**31,191**	—
Research and development expenses (included in other expenses)	**35,705**	18,764
Lease payments for short-term lease and low-value assets	**58**	5,403

(7) (LOSS) EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
		(Re-presented)
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share attributable to owners of the Company		
— from continuing operations	**(42,391)**	53,517
— from discontinued operation	**(224,773)**	(17,415)
	(267,164)	36,102

	2020	2019
	Shares	*Shares*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**5,578,713,777**	5,578,713,777

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

For the years ended 31 December 2020 and 2019, the computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for 2020 and 2019.

(8) DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil). No dividend was declared or paid by the Company during the year ended 31 December 2020 (2019: Nil).

(9) TRADE RECEIVABLES

Other than the trade receivables in relation to the payment to be settled through credit cards for customers in fitness business, 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:

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**111,417**	231,922
91 to 180 days	**42,273**	92,353
181 to 365 days	**10,668**	23,346
Over 1 year	**12,766**	4,109
	177,124	351,730

As at 31 December 2020, included in total receivables are bills received amounting to HK$5,274,000 (2019: HK$154,783,000) held by the Group for future settlement of trade payables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills receivable 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:

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**45,510**	191,706
91 to 180 days	**6,913**	28,468
181 to 365 days	**3,749**	79,649
Over 1 year	**3,223**	6,739
	59,395	306,562

The average credit period on purchases of goods and services is 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(11) EVENTS AFTER THE REPORTING PERIOD

(a) On 22 January 2021, Shaanxi Unisplendour Hi-tech Pharmaceutical Co., Ltd.* (陝西紫光高新藥業有限公司), an indirect non wholly-owned subsidiary of the Company, entered into the State-owned Construction Land Use Rights Assignment Contract (國有建設用地使用權出讓合同) with Baoji Natural Resources and Planning Bureau of Baoji Hi-tech Industrial Development District* (寶雞高新技術產業開發區自然資源和規劃局) in respect of the acquisition of land use rights of a parcel of land which is located at Baoji, Shaanxi, the PRC at a consideration of RMB25,700,000, details of which were disclosed in the announcement of the Company dated 22 January 2021.

(b) The share charge dated 29 May 2017 (the "Share Charge") executed by Active Gains Universal Limited ("Active Gains") in favour of Fester Global Limited ("Fester Global"), a wholly-owned subsidiary of the Company, in relation to the charge of 10,000 shares in TFKT True Holdings ("True Cayman") owned by Active Gains has been enforced by Fester Global on 29 January 2021. The enforcement of the Share Charge by Fester Global has been proceeded as a result of the failure of Active Gains to compensate Fester Global in respect of the shortfall in the guaranteed profit of True Cayman and its subsidiaries pursuant to the sale and purchase agreement dated 6 May 2017 entered into among Fester Global as purchaser, the Company as purchaser's guarantor, Active Gains as vendor and Mr. Patrick John Wee Ewe Seng as vendor's warrantor regarding the acquisition of 51% shareholding in True Cayman by Fester Global from Active Gains which constituted a major transaction of the Company, details of which were disclosed in the announcements of the Company dated 6 May 2017, 29 May 2017 and 1 February 2021 and circular of the Company dated 28 July 2017.

(c) In March 2021, Chongqing Kangle Pharmaceutical Co., Ltd.* (重慶康樂製藥有限公司) ("Chongqing Kangle"), a non-wholly owned subsidiary of the Company, received a court summons* (傳票) attaching a statement of civil claim* (民事起訴狀) (the "Legal Proceedings") from the Shanghai Xuhui District People's Court* (上海市徐匯區人民法院) in relation to the claim made by Shanghai Haixin Pharmaceutical Co., Ltd.* (上海海欣醫藥股份有限公司) (the "Plaintiff") against Chongqing Kangle as defendant for the alleged non-performance of a cooperation agreement on project for Hydroxychloroquine Sulfate* (硫酸羥氯喹項目合作協議) signed on 19 May 2011 between Chongqing Kangle and the Plaintiff (the "Cooperation Agreement"). The Plaintiff seeks for court order to terminate the Cooperation Agreement, and claims against Chongqing Kangle for the damages in the amount of RMB49,000,000, and the costs incurred in connection with the Legal Proceedings. The Company is currently seeking legal advice in relation to the Legal Proceedings and intends to vigorously defend the Plaintiff's claims. Details of which were disclosed in the announcement of the Company dated 30 March 2021.

(d) The World Health Organisation declared COVID-19 pandemic a global health emergency on 30 January 2020. Since then, the Group has experienced different extent of disruption to its operations in the following respects:

— temporary interruptions to manufacturing activities and closure of assembly plants in the PRC;

— temporary suspension of fitness centres in Singapore; and

— uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the Group's primary products.

Governments in the countries in which the Group operates also implemented various measures which might mitigate some of the impact of the COVID-19 pandemic to the results and liquidity position of the Group. To the extent appropriate, the Group applies for such government assistance. Details of all of the arrangements that might be available and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty.

The directors of the Company are continuing to assess the implications of COVID-19 pandemic to the business in which the Group operates.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2020, 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; and (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. The cement business represents the manufacturing and sales of cement and clinker and trading of cement with operations in Shandong province and Shanghai in the PRC. On 21 December 2020, the cement business of the Group was disposed of and is presented as discontinued operation for the year ended 31 December 2020 and comparatives for the year ended 31 December 2019 have been re-presented accordingly.

Financial Results

Continuing operations

The revenue of the Group for the year ended 31 December 2020 was approximately HK$1,009.1 million (2019: HK$921.1 million), representing an increase of 9.6% as compared to the previous year. The loss for the year of the Group was HK$20.1 million (profit for 2019: HK$64.3 million). The basic loss per share amounted to HK0.76 cent (earnings per share for 2019: HK0.96 cent).

The increase in the Group's revenue for the year ended 31 December 2020 as compared to that for the year ended 31 December 2019 was mainly attributable to the net effect of the increased revenue in pharmaceutical business, and the decreased revenue in fitness business, which were impacted by the COVID-19 pandemic in different manners.

The Group recorded a loss for the year ended 31 December 2020 as compared to the profit for the year ended 31 December 2019. The loss was primarily attributable to the impairment in goodwill of fitness business in the amount of HK$31.2 million as the Group's fitness business was severely impacted by the COVID-19 pandemic.

Business Review

Continuing operations

Pharmaceutical Business

The global outbreak of COVID-19 in 2020 took a heavy toll on China's economy and crippled the pharmaceutical industry as well. The performance of most domestic pharmaceutical enterprises experienced varying degrees of decline as they encountered many hurdles in the first half of the year, including fewer outpatients because of the suspension of outpatient services in hospitals (with medical staff across the country joining the rescue in worst-hit areas), failure to timely deliver products to destinations due to interruption in logistics, the inability of staff to return to work because of mobility restrictions, and the difficulty in allocating production materials. The situation gradually improved in the second half of the year as the pandemic was contained effectively. However, with the intensifying outbreak around the globe, the general situation in China remains relatively severe. The industry as a whole will grapple with the unstable situation for quite some time.

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 metres of drug production workshops in Yanqing District, Beijing. Its key products are prescription drugs and its therapeutic areas mainly include drugs for local anaesthesia and gynaecological purposes. In 2020, its revenue amounted to RMB339.9 million, representing a growth of 6.7% as compared to RMB318.6 million for 2019. In 2020, its gross profit was RMB312.6 million, representing a growth of 9.6% as compared to RMB285.3 million for the same period in 2019.

   Products of Tongfang Pharmaceutical are mainly targeted at hospitals of all levels in China. The COVID-19 pandemic significantly affected the company in the first half of 2020. Its marketing activity encountered extreme difficulties in the toughest months. Having said that, the company managed to coordinate various resources to ensure uninterrupted production and actively reduced expenses and avoided unnecessary spending. Meanwhile, it rapidly adjusted its marketing policies to offset the negative impact of the pandemic. Besides, Tongfang Pharmaceutical actively explored emerging markets. Capitalising on its own advantages, it developed new products such as UCAN probiotic solid beverages and Vigor solid beverages for reproductive health, laying a good foundation for sustainable development in the future.

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

   In 2020, Shaanxi Life Care registered revenue of RMB54.4 million, representing a decrease of 20.0% as compared to RMB68.0 million for the same period in 2019. In 2020, its gross profit amounted to RMB23.2 million, representing a decrease of 37.3% as compared to RMB37.0 million for the same period in 2019.

   Shaanxi Life Care was greatly affected by the COVID-19 pandemic. Its performance in 2020 was worsened by other factors such as rising raw material and energy prices. The company adopted a number of measures based on the market conditions to improve the unfavourable situation. In addition, the company also devised a long-term development plan, which had been approved by the State-owned Assets Supervision and Administration Commission of the State Council and is being implemented in full swing. If successful, it will solve the main issues that restrict the company's development, revitalise existing resources, and maximise the company's value to shareholders and society.

3. Chongqing Kangle

   In 2020, Chongqing Kangle registered revenue of RMB281.2 million, representing an increase of 209.0% as compared to RMB91.0 million for the same period in 2019. In 2020, its gross profit amounted to RMB158.3 million, representing an increase of 643.2% as compared to RMB21.3 million for the same period in 2019.

   At the onset of the COVID-19 pandemic, Chongqing Kangle received an urgent instruction from the relevant ministry of the state to produce strategic materials. Chongqing Kangle was the only company which was capable of putting the drug into mass production in the domestic market at the time being. Under the call and leadership of the management and in communication and coordination with all sectors of society, all of the staff of the company worked together and did their best to ensure smooth production and provided markets with abundant high-quality active pharmaceutical ingredients in a timely manner. Their outstanding contribution to the fight against COVID-19 both at home and abroad was also specifically recognised by the State Council. As the impact of the pandemic on the company's performance diminished, the company's profitability had returned to normal. Nevertheless, the outstanding performance of the company during the pandemic brought about positive effects in the society, boosting the orders received by the company.

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

   In 2020, SPF registered revenue of RMB87.9 million, representing an increase of 37.8% as compared to RMB63.8 million for the same period in 2019. In 2020, its gross profit amounted to RMB36.2 million, representing an increase of 20.7% as compared to RMB30.0 million for the same period in 2019.

   One of SPF's major downstream customers is relevant faculties of universities and colleges. Affected by the pandemic, many universities and colleges were closed, and experiments could not be conducted, resulting in temporary suspension of marketing activities. In the second half of the year, the segment recovered gradually as the pandemic had been contained effectively and universities and colleges had resumed classes in September. The company managed to achieve a stable growth despite the pandemic. The current fierce competition in the laboratory animal market is intensified by the large amounts of financing obtained by rivals, resulting in uncertainties going forward.

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 advanced from traditional surgery treatment, radiotherapy and chemotherapy to targeted therapy and immunotherapy. At present, tumor immunotherapy has become a promising and popular research field, with many approaches being taken to elicit anti-tumor immunity. Apros focuses on the discovery and development of Toll-Like Receptor-7 (TLR7) agonists and has developed a portfolio of small molecule TLR7 agonists for the treatment of cancer and infectious disease. The first clinical candidate was cleared by the United States Food and Drug Administration and entered Phase 1 clinical trial in colorectal cancer patients in 2021.

In 2020, the global COVID-19 pandemic dealt a blow to the pharmaceutical industry and the economy in China. On the other hand, China's medical reform, which concerns the future development of the pharmaceutical industry, is advancing relentlessly. Facing such a situation, our Group firmly believes that opportunities and risks go hand in hand. Whilst it will strive to take full advantage of its capabilities in the profession and focus on existing advantageous resources, it will also work to revitalise various assets in hand, and actively seek new profit growth drivers.

Fitness Business

The revenue of the Group's fitness business for the year ended 31 December 2020 was HK$187.7 million (including franchise income of HK$53.5 million) representing a decrease of 38.9% as compared to HK$307.4 million (including franchise income of HK$55.6 million) last year. The loss for the year was HK$12.9 million as compared to a profit of HK$16.1 million for last year.

The Group's fitness business recorded a decrease of HK$119.7 million in revenue and gross profit ratio decreases from 28.8% in 2019 to 2.9% in 2020, primarily attributable to COVID-19 outbreak in early 2020. The revenue drop of 56% for the six months ended 30 June 2020 had recovered to drop of 39% for the year ended 31 December 2020 versus last year's respective period.

Amidst the outbreak of COVID-19 globally, on 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. The Singapore Multi-Ministry Taskforce implemented an elevated set of safe distancing measures to pre-empt the trend of increasing local transmission of COVID-19. Except for those providing essential services and selected economic sectors which were critical for local and the global supply chains, all businesses were required to be suspended. In compliance, the Singapore fitness business was suspended from 7 April 2020 to 18 June 2020 ("Circuit Breaker/Phase 1 Period"). This had adversely impacted the revenue and financial position of the Group during the Circuit Breaker/Phase 1 Period and the Group was exposed to an increased liquidity risk. The Group was allowed to open from 19 June 2020 (Phase 2) with limited capacity and there was softening of compliances in Phase 3 (commencing from 28 December 2020). However, the revenue growth was slower than the pre-COVID-19 period.

Despite the decrease in revenue, the cash flow situation of the fitness business was supported by government intervention of a 4-month rental relief and Job Support Scheme ("JSS") which provided wage support of 75% of salary for the period of April 2020 to 18 June 2020. Wage support from JSS for the period from October 2019 to August 2020 was provided at 25% of salary, which was reduced to 10% for the period from September 2020 to December 2020.

The Group has been adopting an operating cost reduction strategy, and the support measures introduced by the Singapore government have helped cushion the cash flows impact of the Group. The COVID-19 outbreak has brought additional uncertainties in the global macroeconomic situation. The Group's financial position and operating performance may be impacted and the management is continuously reviewing and monitoring the situation. The opening of the new TFX club in Change Alley was delayed to November 2020 due to the COVID-19 pandemic. Despite the opening of new club, increase in revenue is at a lower growth rate as compared to pre-COVID-19 and the management expects revenue to pick up only from 2nd half of 2021.

Discontinued operation

Cement Business

On 21 December 2020, the cement business was disposed of and presented as discontinued operation for the year ended 31 December 2020 and the comparatives for the year ended 31 December 2019 have been re-presented accordingly.

Financial Review

Liquidity and Financing

The Group's capital expenditure, daily operations and investments during the year ended 31 December 2020 were mainly funded by cash generated from its operations, loans from principal bankers and an intermediate holding company.

As at 31 December 2020, the Group maintained bank balances and cash reserves of approximately HK$165.8 million (2019: HK$216.8 million), including cash and cash equivalents of approximately HK$165.8 million (2019: 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).

As at 31 December 2020, the Group had outstanding borrowings repayable within one year of approximately HK$167.6 million and HK$29.2 million repayable after one year (2019: HK$455.4 million repayable within one year). 77.5% of the Group's outstanding borrowings were denominated in Renminbi ("RMB") and 22.5% in Singapore dollars ("SGD"). All of the Group's outstanding borrowings were charged at fixed rates.

The gearing ratio (total borrowings over total assets) of the Group as at 31 December 2020 was as follows:

	2020	2019
	HK$'000	*HK$'000*
Total borrowings	**196,777**	455,408
Total assets	**2,542,284**	4,000,172
Gearing ratio	**7.7%**	11.4%

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 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 2020, the Group's bank and other borrowings of HK$104,364,000 (2019: HK$48,305,000), short-term bank facilities in respect of the issuance of bills payable to suppliers of nil (2019: HK$222,511,000), and lease liabilities of HK$6,169,000 (2019: HK$541,000) were secured by the following:

	2020	2019
	HK$'000	*HK$'000*
Buildings and structures	**41,775**	50,338
Plant and machinery	—	2,744
Right-of-use assets	**24,320**	16,398
Exchange rate linked structured deposits	—	57,332
Pledged bank deposits	—	68,480
Trade receivables	**30,827**	17,490
Bank balance	**1,552**	599
	98,474	213,381

Material Capital Commitments and Investments

The Group had the following capital commitments:

	2020	2019
	HK$'000	*HK$'000*
Capital commitments contracted for but not provided in the consolidated financial statements:		
— Capital contribution to a joint venture *(Note)*	—	421,525
— Acquisition of property, plant and equipment	**14,589**	21,540
	14,589	443,065

Note: 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》) (the "Cooperation Agreement") and the Principle Agreement for the Establishment of the Joint Venture Company* (《關於設立合資公司(原則)協議》) (the "JV Principle Agreement") with Shanghai Building Material (Group) Company Limited* (上海建材(集團)有限公司) ("Shanghai Building Material"), a state-owned enterprise, for the purpose of setting up a joint venture company (the "JV Company") pursuant to the terms and conditions therein on 13 February 2012. Pursuant to the Cooperation Agreement, Shanghai Building Material and Shanghai SAC agreed to establish the JV Company to operate and manage the development of new cement production facilities at Bailonggang, Pudong, Shanghai (the "Bailonggang Project") under the terms of the JV Principle Agreement after the relevant government approvals for the Bailonggang Project being obtained. The commitment on capital contribution to a joint venture represents the 50% share of registered capital of the JV Company by the Group amounting to RMB400,000,000 (equivalent to approximately HK$447,978,000) as at 31 December 2019. 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.

On 28 September 2012, Shanghai SAC entered into three purchase agreements for the purchases of certain equipment and machineries at the aggregate consideration of RMB380,000,000 (equivalent to approximately HK$425,580,000). On 23 April 2019, Shanghai SAC agreed to cancel one of the purchase agreements with consideration of RMB235,000,000 (equivalent to approximately HK$267,898,000) with the seller. As at 31 December 2019, Shanghai SAC has made the respective first payments of the remaining two purchase agreements amounting to RMB23,620,000 (equivalent to approximately HK$26,453,000). The equipment and machineries under the two purchase agreements were purchased for future use in the Bailonggang Project and the Group and the Company do not intend to retain such equipment and machineries for their own use. After the JV Company is established, Shanghai SAC may transfer, by way of disposal or otherwise, the equipment and machineries purchased at cost or novate the rights and obligations of the purchase agreements at cost to the JV Company in accordance with the relevant PRC rules and regulations, or, subject to the relevant PRC rules and regulations, may transfer such equipment and machineries at cost by way of contribution in kind to satisfy its proportion of the registered capital of the JV Company. Details of the transaction were set out in the announcements of the Company dated 3 October 2012 and 24 April 2019 respectively, and circular of the Company dated 15 November 2012.

Since the equipment and machineries under the two purchase agreements were purchased for future use in the Bailonggang Project, the total commitment of the Group to the Bailonggang Project, including the commitment under the two purchase agreements, would be limited to RMB376,380,000 (equivalent to HK$421,525,000) being the commitment on capital contribution to a joint venture as at 31 December 2019.

During the year ended 31 December 2020, Shanghai SAC was disposed of.

Employees

As at 31 December 2020, the Group had 1,221 (2019: 1,500) 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

Pharmaceutical Business

The Group's pharmaceutical business continued to maintain a rapid growth trend, and was increasing faster than the industry average, whereas profitability also increased significantly compared with the same period in 2019. COVID-19 struck the globe in early 2020. At the beginning of the outbreak, no specific medicine was found effective against the virus in the world. Chloroquine Phosphate and Hydroxychloroquine Sulfate, both owned by Chongqing Kangle, were clinically proved to be able to inhibit the virus by scientists around the world. Subsequently, the company used its best endeavours to coordinate various resources and ramp up production in order to provide the drugs in large quantities for the global to fight against the virus, saving countless lives while making considerable profits.

The global pandemic will linger on for some time. The Group has formulated medium and long-term development plans for new product research and development, new area development, team building, equipment and facility upgrades, and risk management and control. Relatively satisfactory results are expected for the whole year.

Fitness Business

The Singapore government has announced that Singapore will move into Phase 3 of the country's reopening in early January 2021. Whilst Phase 3 is supposed to be a further easing of COVID-19 measures, in relation to gyms and studios, Phase 3 is not expected to bring about any significant changes. The Singapore government has prepared the Singaporeans to expect a long Phase 3, and it could easily be for 12 months or longer. In other words, this means that there is no significant change to be expected for the Group's business. We do not therefore expect any uptick in membership sign-ups or revenue, fitness cost components, like rental, will be reinstated to pre-COVID-19 levels, and landlords are not expected to be sympathetic to pleas for rental reductions or deferments. Without the cushion of rental relief or JSS from the Singapore government in 2021, it is expected that 2021 will be an even more challenging year than 2020.

The Group will implement the following strategies in Singapore in 2021:

- To take a hard and deep look at the business with a view to restructuring the same to ensure survival for the next 12 to 18 months from January 2021.

- To re-negotiate leases with landlords with a view to reducing rent to more manageable levels or "right sizing" the size of our clubs to cater to the reduced capacity and lower membership numbers.

- To further reduce costs and expenses.

On the other hand, the COVID-19 infection rate in Taiwan has been kept at a low rate; the Group's fitness clubs in Taiwan have not been asked to shut down by the government throughout the pandemic. Members of the fitness clubs have reported being excited to be back to in-person working out, as at-home exercise does not offer the same variety available at the gym. With strong rebound strategies put in place, we projected that the revenue from the Group's fitness clubs in Taiwan will recover to pre-COVID level this year.

EVENTS AFTER THE REPORTING PERIOD

Details of the Group's events after the reporting period are set out in note 11 to the audited consolidated results in this announcement.

DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31 December 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "2021 AGM") is scheduled to be held on Thursday, 27 May 2021. For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 21 May 2021 to Thursday, 27 May 2021 (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 2021 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 Thursday, 20 May 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2020, 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.

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 2020 (the "2020 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 2020 contained herein.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

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 2020.

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

The 2020 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. The audited consolidated results of the Group for the year ended 31 December 2020 set out above does not constitute the Company's statutory financial statements but is extracted from the consolidated financial statements for the year ended 31 December 2020 to be included in the 2020 Annual Report.

By order of the Board
Tongfang Kontafarma Holdings Limited
Chai Hongjie
Chairman

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Chai Hongjie (Chairman), Mr. Huang Yu (President), Mr. Wei Bingzhang 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*