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 2021

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 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Continuing operations			
Revenue	3	**961,089**	1,009,134
Cost of sales and services		**(478,200)**	(453,385)
Gross profit		**482,889**	555,749
Other income	4	**78,870**	67,043
Other gains and losses		**33,024**	(32,524)
Impairment losses under expected credit loss model, net of reversal		**(26,075)**	(16,713)
Distribution and selling expenses		**(356,540)**	(367,045)
Administrative expenses		**(132,686)**	(139,667)
Other expenses		**(45,633)**	(35,705)
Finance costs		**(34,175)**	(31,435)
Loss before taxation		**(326)**	(297)
Taxation	5	**(4,227)**	(19,788)
Loss for the year from continuing operations	6	**(4,553)**	(20,085)
Discontinued operation			
Loss for the year from discontinued operation		**—**	(195,797)
Loss for the year		**(4,553)**	(215,882)

	2021	2020
	HK$'000	*HK$'000*
Other comprehensive income (expense):		
Item that will not be reclassified subsequently to profit or loss:		
Exchange difference arising on translation to presentation currency	**16,871**	101,834
Item that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of foreign operations	**2,936**	(404)
Other comprehensive income for the year, net of tax	**19,807**	101,430
Total comprehensive income (expense) for the year	**15,254**	(114,452)
(Loss) profit for the year attributable to:		
Owners of the Company		
— from continuing operations	**(15,048)**	(42,391)
— from discontinued operation	**—**	(224,773)
	(15,048)	(267,164)
Non-controlling interests		
— from continuing operations	**10,495**	22,306
— from discontinued operation	**—**	28,976
	10,495	51,282
Total loss for the year	**(4,553)**	(215,882)
Total comprehensive income (expense) for the year attributable to:		
— Owners of the Company	**217**	(198,385)
— Non-controlling interests	**15,037**	83,933
	15,254	(114,452)

	Note	**2021**	2020
		HK cent	*HK cent*
Loss per share	*7*		
Basic			
— from continuing operations		**(0.27)**	(0.76)
— from discontinued operation		**—**	(4.03)
		(0.27)	(4.79)
Diluted			
— from continuing operations		**(0.27)**	(0.76)
— from discontinued operation		**—**	(4.03)
		(0.27)	(4.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**520,681**	358,518
Right-of-use assets		**589,242**	629,125
Deposit for land use right		—	15,471
Investment properties		**4,704**	4,740
Goodwill		**358,782**	404,265
Intangible assets		**277,795**	321,213
Interest in an associate		—	—
Deferred tax assets		**232**	190
Rental deposits		**25,747**	24,178
Contract costs		**908**	1,784
		1,778,091	1,759,484
Current assets			
Biological assets		**17,044**	12,846
Inventories		**112,146**	89,960
Trade receivables	*9*	**139,946**	177,124
Contract costs		**5,048**	5,958
Other receivables, deposits and prepayments		**75,632**	56,809
Financial assets at fair value through profit or loss		—	8,501
Other investment		**16,000**	20,473
Amounts due from intermediate holding companies		**290**	—
Amount due from an associate		**145,803**	111,108
Amounts due from other related parties		**94,608**	134,202
Restricted bank deposits		**6,205**	—
Cash and cash equivalents		**167,962**	165,819
		780,684	782,800

	Note	2021 HK$'000	2020 HK$'000
Current liabilities			
Trade and bills payables	*10*	**39,269**	59,395
Other payables and deposits received		**119,905**	123,272
Amount due to an intermediate holding company		**2,446**	33,738
Amounts due to other related parties		**113,035**	466
Tax liabilities		**28,089**	22,235
Bank borrowings due within one year		**226,705**	167,627
Deferred income		**242**	—
Contract liabilities		**92,995**	108,709
Lease liabilities		**79,879**	117,040
		702,565	632,482
Net current assets		**78,119**	150,318
Total assets less current liabilities		**1,856,210**	1,909,802
Capital and reserves			
Share capital		**11,177**	11,177
Share premium and reserves		**1,180,841**	1,203,009
Equity attributable to owners of the Company		**1,192,018**	1,214,186
Non-controlling interests		**145,766**	139,571
Total equity		**1,337,784**	1,353,757
Non-current liabilities			
Bank borrowings due after one year		**17,097**	29,150
Deferred taxation		**67,257**	76,163
Provision for reinstatement cost		**14,252**	13,254
Deferred income		**14,550**	—
Lease liabilities		**405,270**	437,478
		518,426	556,045
		1,856,210	1,909,802

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 include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, Hong Kong Accounting Standard ("HKAS") 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021".

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of 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.

Impacts on early application of Amendment of HKFRS 16 "*COVID-19-Related Rent Concessions beyond 30 June 2021*"

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 *Leases* by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application has had no impact to the opening retained profits at 1 January 2021. During the year, certain lessors agreed to waive/reduce lease payments on several leases in the Group's fitness centres in Singapore beyond 30 June 2021. The Group has derecognised the part of lease liabilities that have been extinguished resulting in a decrease in lease liabilities of HK$29,169,000, which have been recognised as variable lease payments in "other income" in profit or loss for the current year.

Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (HKAS 2 *Inventories*)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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:

Continuing operations

	2021 Pharmaceutical business HK$'000	2021 Fitness business HK$'000	2021 Total HK$'000	2020 Pharmaceutical business HK$'000	2020 Fitness business HK$'000	2020 Total HK$'000
Revenue from contracts with customers within the scope of HKFRS 15						
Disaggregated by major products or services lines						
Manufacture and sales of prescription drugs and laboratory related products	**799,807**	**—**	**799,807**	846,383	—	846,383
Operation of fitness centres and provision of consultation services for fitness and health activities						
— personal training classes	**—**	**58,273**	**58,273**	—	42,028	42,028
— membership packages	**—**	**65,213**	**65,213**	—	67,205	67,205
Royalty fee income in relation to fitness and health activities	**—**	**37,796**	**37,796**	—	53,518	53,518
Total	**799,807**	**161,282**	**961,089**	846,383	162,751	1,009,134
Timing of revenue recognition						
Point in time	**799,807**	**58,273**	**858,080**	846,383	42,028	888,411
Over time	**—**	**103,009**	**103,009**	—	120,723	120,723
Total	**799,807**	**161,282**	**961,089**	846,383	162,751	1,009,134
Geographical markets						
Mainland China	**781,490**	**—**	**781,490**	702,551	—	702,551
Singapore	**—**	**123,486**	**123,486**	678	109,233	109,911
Taiwan	**691**	**37,796**	**38,487**	213	53,518	53,731
Russia	**4,659**	**—**	**4,659**	85,211	—	85,211
Morocco	**351**	**—**	**351**	15,913	—	15,913
Uruguay	**71**	**—**	**71**	6,301	—	6,301
Switzerland	**38**	**—**	**38**	21,120	—	21,120
Others	**12,507**	**—**	**12,507**	14,396	—	14,396
Total	**799,807**	**161,282**	**961,089**	846,383	162,751	1,009,134

Segment information

Information reported to the chief executive of the Company, being the chief operation decision maker (the "CODM"), for the purpose of resource allocation and assessment of segment performance focuses on business units. During the year ended 31 December 2020, the Company 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 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 fee 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.

Continuing operations

	Pharmaceutical business		**Fitness business**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue from external customers	**799,807**	846,383	**161,282**	162,751	**961,089**	1,009,134
Segment results	**64,806**	121,917	**(101,768)**	(93,152)	**(36,962)**	28,765
Unallocated corporate income					**79,040**	6,636
Unallocated corporate expenses					**(42,404)**	(35,698)
Loss before taxation					**(326)**	(297)

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 CODM of the Group for the purposes of resource allocation and performance assessment. There was no inter-segment sales during the years ended 31 December 2021 and 2020.

4. OTHER INCOME

	2021	2020
	HK$'000	*HK$'000*
Continuing operations		
Interest income from banks	**2,561**	365
Interest income from loan to an associate	**395**	—
Interest income from other investment	**397**	451
	3,353	816
Government grant and subsidy		
— release from deferred income	**20**	1,130
— related to expenses *(note i)*	**7,001**	20,218
— related to employment *(note ii)*	**22,954**	16,981
COVID-19-related rent concessions *(note iii)*	**29,169**	16,495
Rental income	**757**	1,195
Service income	**1,904**	5,530
Sundry income	**13,712**	4,678
	78,870	67,043

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 31 December 2021, 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$18,215,000 (2020: 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 or contingencies attached to the receipts of those subsidies.

Note iii: During the year ended 31 December 2021, the Group was eligible for the Rental Support Scheme (the "RSS") provided by the Singapore government. The RSS provided rental support to tenants, helping the small and medium enterprises grapple with evolving pandemic situation. The Group has early applied the Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021" 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:

	2021	2020
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
— The People's Republic of China (the "PRC" or "China") Enterprise Income Tax	**8,644**	21,813
— Singapore Corporate Income Tax	**(33)**	30
— Taiwan Corporate Income Tax	**5,669**	8,028
	14,280	29,871
(Over) under provision in prior years		
— PRC Enterprise Income Tax	**27**	(1,187)
— Singapore Corporate Income Tax	**(422)**	—
	(395)	(1,187)
Deferred tax	**(9,658)**	(8,896)
	4,227	19,788

6. LOSS FOR THE YEAR

Loss for the year from continuing operations has been arrived at after charging (crediting):

	2021	2020
	HK$'000	*HK$'000*
Continuing operations		
Staff costs (including Directors' and senior management's emoluments)		
— Salaries and other costs	**167,697**	144,166
— Equity-settled share-based payments	**—**	53
— Retirement benefits scheme contributions	**16,212**	11,314
Total staff costs	**183,909**	155,533
Less: amounts capitalised in inventories	**(31,952)**	(21,621)
Total staff costs (included in cost of sales and services, distribution and selling expenses and administrative expenses)	**151,957**	133,912
Amortisation and depreciation		
— Amortisation of intangible assets (included in administrative expenses)	**10,734**	10,914
— Depreciation of investment properties (included in administrative expenses)	**166**	156
— Depreciation of right-of-use assets (included in cost of sales and services and administrative expenses)	**87,408**	79,979
— Depreciation of property, plant and equipment (included in cost of sales and services, distribution and selling expenses and administrative expenses)	**46,825**	34,275
Total amortisation and depreciation	**145,133**	125,324
Auditor's remuneration		
— Audit service	**4,378**	5,468
— Non-audit service	**1,466**	761
Cost of inventories recognised as expenses	**273,075**	259,984
Net foreign exchange loss (gain)	**2,874**	(1,610)
Property rental income, net of negligible outgoing expenses	**(757)**	(1,195)
Write-down of inventories (included in cost of sales and services)	**—**	522
Impairment loss on goodwill (included in other gains and losses)	**46,358**	31,191
Research and development expenses (included in other expenses)	**45,633**	35,705
Lease payments for low-value assets	**563**	—
Lease payments for short-term lease	**2,109**	58

7. LOSS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Loss for the year for the purposes of basic and diluted loss per share attributable to owners of the Company		
— from continuing operations	**(15,048)**	(42,391)
— from discontinued operation	**—**	(224,773)
	(15,048)	(267,164)

	2021	2020
	Shares	*Shares*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss 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 of the Company (the "Share Award Scheme").

For the years ended 31 December 2021 and 2020, diluted loss per share equals to basic loss per share as the potential ordinary shares in issue were not included in the calculation of diluted loss per share because they are anti-dilutive.

8. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil). No dividend was declared or paid by the Company during the year ended 31 December 2021 (2020: 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 to 180 days. 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:

	2021	2020
	HK$'000	*HK$'000*
0 to 90 days	**85,918**	111,417
91 to 180 days	**25,617**	42,273
181 to 365 days	**21,791**	10,668
Over 1 year	**6,620**	12,766
	139,946	177,124

As at 31 December 2021, included in total trade receivables are bills receivable amounting to HK$6,364,000 (2020: HK$5,274,000) 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 receivables 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:

	2021	2020
	HK$'000	*HK$'000*
0 to 90 days	**16,262**	45,510
91 to 180 days	**17,021**	6,913
181 to 365 days	**687**	3,749
Over 1 year	**5,299**	3,223
	39,269	59,395

The 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.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2021, 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 fee income. The Group used to engage in the cement business, which represents the manufacturing and sales of cement and clinker and trading of cement with operations in Shandong province and Shanghai in the PRC. The Group has completed the disposal of the cement business on 21 December 2020, and the comparatives for the year ended 31 December 2020 have been presented as discontinued operation accordingly.

Financial Results

Continuing Operations

For the year ended 31 December 2021, the Group's revenue and gross profit of approximately HK$961.1 million and HK$482.9 million (2020: approximately HK$1,009.1 million and HK$555.7 million) decreased by approximately 4.8% and 13.1% respectively against last year. The net loss of the Group for the year ended 31 December 2021 was approximately HK$4.6 million (2020: approximately HK$20.1 million), representing a decrease in loss by approximately HK$15.5 million as compared to the previous year. The basic loss per share amounted to approximately HK0.27 cent (2020: approximately HK0.76 cent).

The decrease in the Group's revenue and gross profit were mainly attributable to the following reasons:

— In the pharmaceutical business segment, the effective control to combat the spread of COVID-19 pandemic in Mainland China has impact on the subsidiaries in different manners. The excess demand of the active pharmaceutical ingredients ("API") Chloroquine Phosphate manufactured by Chongqing Kangle Pharmaceutical Co., Ltd.* (重慶康樂製藥有限公司) ("Chongqing Kangle") has slowed down in 2021, which resulted in the decline in Chongqing Kangle's revenue and gross profit, while the revenue and gross profit from other pharmaceutical business subsidiaries, such as Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.* (陝西紫光辰濟藥業有限公司) ("Shaanxi Life Care"), which mainly focuses on the manufacturing and sales of Chinese medicine products, and SPF (Beijing) Biotechnology Co., Ltd.* (斯貝福(北京) 生物技術有限公司) ("SPF"), which mainly focuses on the sales of laboratory related products, have also gradually recovered, which alleviated the impact of the decrease in revenue and gross profit in Chongqing Kangle to a certain extent; and

— In the fitness business segment, due to the outbreak of the COVID-19 pandemic in the second quarter of 2021 in Singapore and Taiwan, the operation of the fitness centres in these two regions were suspended for approximately 10 weeks and 9 weeks respectively, leading to the decrease in the gross profit in fitness business segment.

The decrease in net loss was mainly attributable to the gain of approximately HK$51.4 million from the disposal of a subsidiary of the Company, Apros Therapeutics, Inc. ("Apros"), which offset the Group's (i) decrease in gross profit; (ii) expected credit loss on receivables and one-off impairment on goodwill in the fitness business; and (iii) increase in segment loss in the fitness business segment resulting from the suspension of operation of our fitness centres in Singapore and Taiwan for approximately 10 weeks and 9 weeks respectively due to the outbreak of the COVID-19 pandemic in the second quarter of 2021 in these two regions.

Discontinued Operation

The Group has completed the disposal of its cement business on 21 December 2020, and the comparatives for the year ended 31 December 2020 have been presented as discontinued operation accordingly.

Business Review

Continuing Operations

Pharmaceutical Business

In 2021, as the PRC government took solid and effective measures to prevent and control COVID-19 pandemic, though occasionally affected by the intermittent surges of COVID-19 pandemic in some regions, the overall risks faced by various industries, including the pharmaceutical industry, were under control. Operation has gradually returned to a level approaching or close to pre-COVID-19 pandemic period. Benefitted by the successive rebound of the number of outpatients in hospital and smooth logistics, resources in terms of staff and raw materials were relatively abundant for operating business. On the other hand, with the gradual progression of medical system reform in Mainland China and orderly implementation of national centralized procurement system, more and more pharmaceuticals and medical products were included into the centralized procurement catalogue. Meanwhile, with the immediate coverage of increasing number of newly launched pharmaceuticals into the medical insurance, the competition landscape of the pharmaceutical industry has gradually changed.

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 drugs. It has a preparation workshop covering 30,000 square meters in Yanqing District, Beijing. Its key products are prescription drugs and its therapeutic areas mainly include drugs for local anesthesia and gynecological purposes. In 2021, its revenue amounted to RMB329.6 million (2020: RMB339.9 million), representing a decrease of 3.0%; gross profit amounted to RMB294.9 million in 2021 (2020: RMB312.6 million), representing a drop of 5.7% as compared to last year.

   In 2021, one of the raw material suppliers of Tongfang Pharmaceutical's major products failed to make delivery on a timely basis due to the outbreak of COVID-19 pandemic in some regions and the factory renovation. Even Tongfang Pharmaceutical immediately ordered from reserve suppliers, the limited production capacity of which has affected the sales of the respective products to a certain extent. Benefitted from the timely adjustment of its strategy, Tongfang Pharmaceutical concentrated its resources on other major products and strengthened its marketing efforts, thereby alleviating the influence of sales decline of individual major products to a certain extent. Besides, Tongfang Pharmaceutical proactively explored emerging markets by focusing on the promotion of products such as UCAN probiotic solid beverages and Vigor solid beverages for reproductive health. With deployment in new marketing channels such as new media and self-media, Tongfang Pharmaceutical has achieved relatively promising results and laid a solid foundation for sustainable development in the future.

2. Shaanxi Life Care

   In 2021, Shaanxi Life Care recorded revenue of RMB66.6 million (2020: RMB54.4 million), representing a growth of 22.4% from the corresponding period of last year, and recorded a gross profit of RMB31.1 million in 2021 (2020: RMB23.2 million), representing a growth of 34.1% from last year.

   Shaanxi Life Care's operation was severely affected by the COVID-19 pandemic in 2020. In 2021, through various responsive measures, Shaanxi Life Care has made a turnaround from the adverse environment and gradually resumed to the same operation level prior to the COVID-19 pandemic. At the same time, Shaanxi Life Care has also formulated its long-term development plan. Shaanxi Unisplendour Hi-tech Pharmaceutical Co., Ltd.* (陝西紫光高新藥業有限公司), a wholly-owned subsidiary of Shaanxi Life Care, has been building its new production base in the hi-tech industrial development area in Baoji, Shaanxi Province, China. Currently, all efforts are made in the construction project, which targets to solve the production capacity issue that restricts the development of Shaanxi Life Care. The existing resources will be revitalized to the maximum extent for creating higher value for shareholders of the Company.

3. Chongqing Kangle

Chongqing Kangle recorded revenue of RMB145.2 million in 2021 (2020: RMB281.2 million), representing a decrease of 48.4% as compared with last year; and recorded gross profit for 2021 of RMB47.8 million (2020: RMB158.3 million), representing a decrease of 69.8% as compared with last year.

With the effective control of the global COVID-19 pandemic and the COVID-19 pandemic in Mainland China, the price and supply of related API of Chongqing Kangle have gradually dropped to a stable range, while the positive effect brought by the massive demand of the API Chloroquine Phosphate manufactured by Chongqing Kangle in 2020 has continued to a certain extent. In 2021, the revenue and profit level of Chongqing Kangle have both increased as compared to the status of those prior to the COVID-19 pandemic.

4. SPF

SPF recorded revenue of RMB132.3 million in 2021 (2020: RMB87.9 million), representing a growth of 50.5% as compared with last year, and recorded gross profit of RMB70.1 million in 2021 (2020: RMB36.2 million), representing a growth of 93.6% as compared with last year.

The aforesaid growth in the revenue and gross profit of SPF were mainly due to increasing demand for the research and development of new drugs as well as mass production of COVID-19 vaccines in Mainland China. However, SPF has been observing increasingly intense industry competition and it is expected that SPF will inevitably need to encounter the continuing pressure from competitors in the future which compels SPF to offer more competitive prices to its customers. In order to sustain the market share and pursue business development under the highly competitive market, SPF's capital pressure has gradually emerged and became the main constraint factor.

5. Apros

On 22 October 2021, Tongfang Konta Capital, L.P., a wholly-owned subsidiary of the Company, Swiss Talent Group Limited (瑞杰集團有限公司) and the Company (as the guarantor of Tongfang Konta Capital, L.P.) entered into the sale and purchase agreement, pursuant to which, approximately 79.83% of the issued share capital of Apros held by Tongfang Konta Capital, L.P. were sold to Swiss Talent Group Limited. The transaction was completed on 25 November 2021. Upon completion, Apros ceased to be a subsidiary of the Company, and the Group ceased to own any interests in Apros, therefore the financial results of Apros were no longer consolidated into the financial statements of the Group. For details of the transaction, please refer to the announcement of the Company dated 22 October 2021 and the circular of the Company dated 18 November 2021, respectively.

Fitness Business

The revenue of the Group's fitness business for the year ended 31 December 2021 was approximately HK$161.3 million (including royalty fee income of approximately HK$37.8 million), representing a decrease of approximately 14.1% as compared to HK$187.7 million (including royalty fee income of approximately HK$53.5 million) recognised in the year ended 31 December 2020. The net loss for the year ended 31 December 2021 was approximately HK$26.4 million (2020: approximately HK$12.9 million).

The drop in revenue and increase in net loss of the Group's fitness business in 2021 are primarily due to the decrease in royalty fee income of approximately HK$15.7 million from Taiwan, which was affected by COVID-19 pandemic since May 2021. According to the local authority's requirements, all the fitness clubs in Taiwan were forced to close between May and July 2021, and the impact of COVID-19 pandemic has not fully diminished until the second half of 2021. Excluding the impact of lower royalty fee income for the Group's fitness business, the net loss from our fitness club business in Singapore were narrowed in 2021 by approximately HK$2.2 million as a result of effective cost control measures adopted.

The Group's fitness business in Singapore has approximately 19,000 active members for the year. We suffered a higher churn rate during the year as a result of COVID-19 pandemic, and all our clubs have lower membership levels comparing with pre-COVID-19 pandemic period, especially for some of the clubs located in the central business district. We have taken various measures throughout the year to ensure that the Group's fitness business can endure the period of hardship and it is noteworthy that no fitness club of the Group was permanently closed due to the COVID-19 pandemic. Such achievement is attributable to the endeavor of the staff and management of the Group, the trust of our suppliers and customers as well as the local government's financial support.

We monitor market trend closely and adjust operation strategy accordingly. During the year, we have launched a new brand named "Urban Den" and successfully rebranded two clubs in Singapore. One was converted into a boutique gym to attract and focus on like-minded members who enjoy strength trainings and want to achieve aesthetic fitness. The other one was converted into a high intensity interval training ("HIIT") group exercise studio to boost the revenue from paid classes in addition to membership income.

The Group's fitness business keeps customer experience as the top priority all the time. In 2021, we went further by using our technology advances. Contactless entry using our APP booking was introduced during the year, which has been well received by the members. We will continue to invest in and enhance our technology capability. The key development for 2022 in this area is to refresh our website and to upgrade our existing proprietary APP. We are confident that the strength of our technology team and their innovation will continue to drive competitive edges in this area over the coming years.

We have also taken the opportunity to review our member value proposition to ensure that our future products will be even more customer oriented in the post-COVID-19 pandemic era. Furthermore, we will maximize the benefits of product consistency across the two regions where we and our associate operate, and will enhance the Group's overall brand image through the launch of signature group exercise offer across the business, such as for the 60-min HIIT class.

Financial Review

Liquidity and Financing

The Group's capital expenditure, daily operations and investments during the year ended 31 December 2021 were mainly funded by cash generated from its operations, loans from principal bankers and an intermediate holding company.

As at 31 December 2021, the Group maintained bank balances and cash reserves of approximately HK$174.2 million (2020: approximately HK$165.8 million), including cash and cash equivalents of approximately HK$168.0 million (2020: approximately HK$165.8 million) and restricted bank deposits of approximately HK$6.2 million (2020: Nil).

As at 31 December 2021, the Group had outstanding borrowings repayable within one year of approximately HK$226.7 million and outstanding borrowings repayable after one year of approximately HK$17.1 million (2020: approximately HK$167.6 million and HK$29.2 million). 82.9% of the Group's outstanding borrowings were denominated in Renminbi ("RMB") and 17.1% 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 2021 was as follows:

	2021	2020
	HK\$'000	*HK\$'000*
Total borrowings	**243,802**	196,777
Total assets	**2,558,775**	2,542,284
Gearing ratio	**9.5%**	7.7%

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 2021, the Group's bank borrowings of HK$167,046,000 (2020: HK$104,364,000) and lease liabilities of HK$4,776,000 (2020: HK$6,169,000) were secured by the following:

	2021	2020
	HK$'000	*HK$'000*
Buildings and structures	**98,586**	41,775
Right-of-use assets	**24,563**	24,320
Trade receivables	**20,123**	30,827
Bank balance	**889**	1,552
	144,161	98,474

Material Capital Commitments and Investments

The Group had the following capital commitments:

	2021	2020
	HK$'000	*HK$'000*
Capital commitments contracted for but not provided in the consolidated financial statements:		
— Acquisition of property, plant and equipment	**118,572**	14,589

Employees

As at 31 December 2021, the Group had 1,305 (2020: 1,221) 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 (which is expired on 17 January 2022) and the share award scheme of the Company, 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

For the Group's pharmaceutical business, medium and long-term development plans in terms of, among other things, new product research and development and cooperation, expansion of new cooperation model, exploration of new channels and new regions as well as the construction of new production lines and new facilities, have been formulated, which are actively proceeding with various parties. Meanwhile, with the intent to produce better pharmaceuticals for patients, the Company has established an advanced safe production management system, strict quality control criteria and comprehensive pharmaceutical sales system. Through practical research and development and production of pharmaceuticals based on truthful research and development data, the Company manages to protect the health of patients.

Fitness Business

After experiencing the COVID-19 pandemic, people realise that in addition to medical measures, like vaccines and medicines, their own immunity is also one of the essential factors in fighting the virus. Therefore, we believe that as the COVID-19 pandemic will be gradually getting under control, more people tend to improve their health and wellness through exercise and an increasing number of consumers are opting to return to gyms, which will lead to a boom in fitness business. The Group is well prepared to play a key role to embrace the upcoming opportunity.

The Group's fitness business has demonstrated its strength and resilience through the past years and will proactively keep the good performance. The vaccine rollout in Singapore is well under way, and we expect that the local restrictions on gyms' capacity and safe distancing will be further loosen up during 2022. Assuming there is no major resurgence of COVID-19 pandemic that causes member disruptions in 2022, we will focus our resources on business recovery and reducing loss in membership, while attracting new members as well as former members at the same time. On such regards, we feel more confident about the coming new year.

DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "2022 AGM") is scheduled to be held on Friday, 10 June 2022. For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, 6 June 2022 to Friday, 10 June 2022 (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 2022 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, 2 June 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2021, 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 2021 (the "2021 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 2021 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 2021 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 2021.

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

The 2021 Annual Report will be despatched to the Shareholders and made available on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (http://www.tfkf.com.hk) in due course. The audited consolidated results of the Group for the year ended 31 December 2021 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 2021 to be included in the 2021 Annual Report.

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

Hong Kong, 30 March 2022

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