

# Interim Report 2015



## 金嗓子控股集團有限公司

GOLDEN THROAT HOLDINGS GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 06896









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## COMPANY PROFILE

Golden Throat Holdings Group Company Limited (the "Company", together with its subsidiaries, the "Group") is a leading manufacturer of lozenges in China, with its patent-protected lozenges having the largest market share of approximately 25.8% in terms of retail sales value in 2014 according to the report prepared by Euromonitor International Ltd (a market research company). The Group's history dates back to 1956 when Liuzhou No. 2 Sweet Factory (柳州市糖果二廠), the predecessor of Guangxi Golden Throat Co., Ltd. (an indirect wholly owned subsidiary of the Company), was established. Since then, the Group has developed into a comprehensive modern group mainly engaging in the manufacture and sale of lozenges and other pharmaceutical and food products.

The Company was incorporated in the Cayman Islands on 2 September 2014 as an exempted company with limited liability. The Company's shares (the "Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 15 July 2015.



## CORPORATE INFORMATION

### CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Ms. JIANG Peizhen

### EXECUTIVE DIRECTORS

Mr. ZENG Yong  
Mr. HUANG Jianping  
Mr. ZENG Kexiong  
Mr. LU Xinghong  
Mr. HE Jinqiang

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LI Hua  
Mr. ZHU Jierong  
Mr. CHENG Yiqun

### AUDIT COMMITTEE

Mr. ZHU Jierong (*Chairman*)  
Mr. LI Hua  
Mr. CHENG Yiqun

### REMUNERATION COMMITTEE

Mr. LI Hua (*Chairman*)  
Mr. CHENG Yiqun  
Mr. HE Jinqiang

### NOMINATION COMMITTEE

Ms. JIANG Peizhen (*Chairman*)  
Mr. ZHU Jierong  
Mr. CHENG Yiqun

### COMPANY SECRETARY

Ms. NG Wingshan

### AUTHORISED REPRESENTATIVES

Mr. HE Jinqiang  
Ms. NG Wingshan

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 28, Yuejin Road  
Liuzhou  
Guangxi Zhuang Autonomous Region  
China

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1-3  
16/F, Kinwick Centre  
32 Hollywood Road  
Central  
Hong Kong

### COMPANY'S WEBSITE

[www.goldenthroat.com](http://www.goldenthroat.com)

### STOCK CODE

06896

**CORPORATE INFORMATION (CONTINUED)****CAYMAN ISLANDS PRINCIPAL  
SHARE REGISTRAR AND TRANSFER  
OFFICE**

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

**PRINCIPAL BANK**

Agricultural Bank of China Limited  
Liuzhou Lixin Sub-branch  
No. 33, Lixin Road  
Liuzhou  
Guangxi Zhuang Autonomous Region  
China

**HONG KONG SHARE REGISTRAR**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**COMPLIANCE ADVISER**

Somerley Capital Limited  
20/F, China Building  
29 Queen's Road Central  
Central  
Hong Kong

**LEGAL ADVISER**

Slaughter and May  
47th Floor, Jardine House  
One Connaught Place  
Central, Hong Kong

**AUDITOR**

Ernst & Young  
*Certified Public Accountants*  
22/F, CITIC Tower, 1 Tim Mei Avenue  
Central, Hong Kong





## FINANCIAL HIGHLIGHTS

- Revenue increased by RMB60.4 million or 20.9% to RMB348.5 million, as compared to the six months ended 30 June 2014.
- Gross profit increased by RMB46.5 million or 22.6% to RMB252.7 million, as compared to the six months ended 30 June 2014, and gross profit margin reached 72.5%.
- Earnings before interest, taxes, depreciation and amortisation increased by RMB40.3 million or 49.3% to RMB122.2 million, as compared to the six months ended 30 June 2014.
- Profit attributable to shareholders increased by RMB36.7 million or 68.9% to RMB90.0 million, as compared to the six months ended 30 June 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as of 28 August 2015. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto of the Group for the six months ended 30 June 2015.

### DEFINITIONS

|   |   |
|---|---|
| “Board”   | the board of Directors of the Company.  |
| “Director(s)”   | director(s) of the Company.   |
| “Euromonitor Report”  | the report commissioned by the Group and prepared by Euromonitor International Ltd (a market research company) on throat remedies market in China.                                |
| “Golden Throat Company”                                     | 廣西金嗓子有限責任公司 (Guangxi Golden Throat Co., Ltd.), a company with limited liability established in China on 18 September 1998 and an indirect wholly owned subsidiary of the Company. |
| “Golden Throat Lozenges (OTC)”                              | 金嗓子喉片, one of the Group’s key products and approved as a type of over-the-counter medicine.   |
| “Golden Throat Lozenge Series Products”                     | 金嗓子喉寶系列產品, one of the Group’s key products and approved as food products.   |
| “Golden Throat Lozenge Vegetable Beverages Series Products” | 金嗓子喉寶植物飲料系列產品, a series type of the Group’s pipeline products and approved as a type of food.   |
| “PRC” or “China”  | the People’s Republic of China excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.   |
| “Proceeds”  | the net proceeds from the listing of the Company’s Shares on the Stock Exchange.  |
| “Prospectus”  | the prospectus of the Company dated 30 June 2015 in respect of the global offering of its Shares.   |
| “Qingyan Tablet”  | Golden Throat Lozenge Dule Qingyan Tablet (金嗓子喉寶都樂牌清咽片).  |
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited.  |
| “Vegetable Beverage”  | Golden Throat Lozenge Vegetable Beverage (金嗓子喉寶植物飲料).   |





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS REVIEW

The Group is a leading manufacturer of lozenges in China, with its patent-protected lozenges having the largest market share of approximately 25.8% in terms of retail sales value in 2014 according to the Euromonitor Report. The Group's history dates back to 1956 when Liuzhou No. 2 Sweet Factory (柳州市糖果二廠), the predecessor of Golden Throat Company, was established. Since then, the Group has developed into a comprehensive modern group mainly engaging in the manufacture and sale of lozenges and other pharmaceutical and food products.

During the first half of 2015, substantially all of the Group's revenue was generated from sales to distributors. As of 30 June 2015, the Group had entered into distribution agreements with 121 distributors in relation to Golden Throat Lozenges (OTC). The Group also has a presence in various overseas markets for its products, including the United States, Canada, the European Union, Australia, Southeast Asia and Middle East. The Group has engaged Liuzhou Jianli Import & Export Trading Co., Ltd. (柳州市堅利進出口貿易有限公司) and local distributors to sell its products to overseas markets.

The Group reports its revenue by three product categories, consisting of Golden Throat Lozenges (OTC), Golden Throat Lozenge Series Products and other products. During the first half of 2015, most of the Group's revenue was generated from sales of Golden Throat Lozenges (OTC).

During the first half of 2015, the Group's sale of lozenges maintained a strong growth momentum as the Group further deepened its market penetration of its key products. For the six months ended 30 June 2015, the Group recorded a strong revenue growth of 20.9% as compared to the corresponding period in 2014.

### Research and Development and Product Pipeline

The Group's business has significantly benefited from its strong track record in research and development. Since 1994, the Group has successfully developed 26 new products for which it has obtained manufacturing permits, amongst which, eight are pharmaceutical products, 16 are food products, one is a health food product and one is medical apparatus product.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's flagship product is Golden Throat Lozenges (OTC), which was launched in 1994. It is a type of lozenge mainly designed to relieve symptoms of sore and dry throat and hoarse voice caused by acute pharyngitis. Over the past two decades, Golden Throat Lozenges (OTC) has become a widely recognised brand and the leader in lozenge products in China. During the first half of 2015, the Group's sales of Golden Throat Lozenges (OTC) accounted for 93.7% of its total revenue.

The Group's other key products are the Golden Throat Lozenge Series Products (consisting of Dule Lozenges (都樂含片), sugar-free Dule Lozenges and four other sugar-free flavours of this series products). During the first half of 2015, the Group's sales of Golden Throat Lozenge Series Products accounted for 5.0% of its total revenue.

The Group's other major pharmaceutical products include Yinxingye Tablet (銀杏葉片) and Fufang Baibu Zhike Granule (複方百部止咳顆粒), the sales of which in aggregate accounted for 1.3% of its total revenue for the first half of 2015.

The Group seeks to develop new pharmaceutical products and food products addressing selected key medical and health needs, with the objective of contributing to the improvement of the public health and capturing market share in new markets, as well as enriching its product portfolio.

The Group's major pipeline products also include Vegetable Beverage and Qingyan Tablet. The Group expects to sell Golden Throat Lozenge Vegetable Beverages Series Products (including sugar-free series) on a trial basis in the second half of 2015. The Group's major products under development include Lengyinzi (冷飲子), for which it has commenced pre-clinical research.



The Group will continue its co-operation with external institutions in product research, development and commercialisation with the aim of improving production quality and efficiency. The Group plans to increase its annual research and development budget, upgrade its research facilities and purchase advanced equipment. In addition, the Group intends to partially convert its current headquarters located at No. 28, Yuejin Road, Liuzhou, Guangxi Zhuang Autonomous Region into a food research and development centre. The Group intends to incur an aggregate of approximately RMB65 million on research and development activities for the next three years.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Future Expansion and Upgrading Plan

The Group plans to increase its production capacity by constructing a new production base to meet the market demand for its Golden Throat Lozenges (OTC). The Group has acquired a new plot of land in Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region for the purpose of constructing a new medicines production and research and development base. After the expansion, the Group expects to have an increase in its annual manufacturing capacity of Golden Throat Lozenges (OTC) representing an increase of 57% of the current capacity.

In addition, the Group plans to convert its current headquarters at No. 28, Yuejin Road, Liuzhou, Guangxi Zhuang Autonomous Region into a food production plant, as well as a food research and development centre, in order to enhance its food business and capture more customers and sales. Its current site in Laibin, Guangxi Zhuang Autonomous Region will be used to establish a Chinese herbs processing base.



## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2015, the Group's revenue amounted to approximately RMB348.5 million, as compared to RMB288.1 million for the six months ended 30 June 2014, representing an increase of approximately RMB60.4 million, or 20.9%. The increase is mainly attributable to the sales volume growth of the Group's key products.

For the six months ended 30 June 2015, the Group's revenue from sales of Golden Throat Lozenges (OTC) increased to RMB326.5 million, as compared to RMB262.3 million for the six months ended 30 June 2014, representing an increase of approximately RMB64.2 million, or 24.5%, primarily because in 2015, the Group further increased its regional marketing effort and strengthened its end-point control to ensure that the unit selling prices of its products on the market remain stable and further protect the interest of distributors. This has in turn boosted the appetite of distributors for its products.

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

For the six months ended 30 June 2015, the Group's revenue from sales of Golden Throat Lozenge Series Products decreased to RMB17.5 million, as compared to RMB18.6 million for the six months ended 30 June 2014, representing a decrease of approximately RMB1.1 million, or 6.2%, primarily because whilst the Group has already established sales channels with stores and supermarkets for its Golden Throat Lozenge Series Products, its promotional efforts remain to be developed. The Group will continue to strengthen its distribution network for lozenge products.

For the six months ended 30 June 2015, the Group's revenue from sales of other products decreased to RMB4.5 million, as compared to RMB7.2 million for the six months ended 30 June 2014, representing a decrease of approximately RMB2.7 million, or 38.0%. This was because the Group's requirement of payment of purchase price before its delivery of products has affected the enthusiasm of clients in some markets. As a result, sales of Yinxingye Tablet saw a decrease. However, the Group expects that sales of Yinxingye Tablet will return to a normal level in the remaining of 2015.

The table below sets forth, for the periods indicated, the sales volume, revenue, cost, gross margin, unit price and unit cost of its major products.

|  | Six months ended 30 June 2015 |                    |                 |              |                   |                  |
|--|-------------------------------|--------------------|-----------------|--------------|-------------------|------------------|
|  | Volume<br>boxes'000           | Revenue<br>RMB'000 | Cost<br>RMB'000 | Gross margin | Unit price<br>RMB | Unit cost<br>RMB |
| Golden Throat Lozenges (OTC)             | 74,496                        | 326,536            | 83,050          | 74.57%       | 4.38              | 1.11             |
| Golden Throat Lozenge<br>Series Products | 4,155                         | 17,456             | 8,733           | 49.97%       | 4.20              | 2.10             |

|  | Six months ended 30 June 2014 |                    |                 |              |                   |                  |
|--|-------------------------------|--------------------|-----------------|--------------|-------------------|------------------|
|  | Volume<br>boxes'000           | Revenue<br>RMB'000 | Cost<br>RMB'000 | Gross margin | Unit price<br>RMB | Unit cost<br>RMB |
| Golden Throat Lozenges (OTC)             | 60,455                        | 262,294            | 66,057          | 74.82%       | 4.34              | 1.09             |
| Golden Throat Lozenge<br>Series Products | 4,629                         | 18,614             | 9,854           | 47.06%       | 4.02              | 2.13             |

**Cost of Sales**

The Group's cost of sales consists primarily of cost of packaging materials, labor costs, cost of raw materials, depreciation and other costs relating to its production of Golden Throat Lozenges (OTC), Golden Throat Lozenge Series Products and other products.

The Group's cost of sales increased from approximately RMB81.9 million for the six months ended 30 June 2014 to approximately RMB95.8 million for the six months ended 30 June 2015, which accounted for approximately 27.5% of the Group's total revenue for the same period. The primary driver of the Group's increased cost of sales was the increased sales volumes, packaging costs and labor costs for the six months ended 30 June 2015, as compared to the same period for 2014.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The table below sets forth, for the periods indicated, the components of its cost of sales and the components as a percentage of total cost of sales.

|                     | Six months ended<br>30 June 2015 |             | Six months ended<br>30 June 2014 |             |
|---------------------|----------------------------------|-------------|----------------------------------|-------------|
|                     | RMB'000                          | % of total  | RMB'000                          | % of total  |
| Packaging materials | 39,765                           | 42%         | 31,408                           | 38%         |
| Raw materials       | 20,744                           | 22%         | 18,450                           | 23%         |
| Labor costs         | 26,801                           | 28%         | 22,911                           | 28%         |
| Depreciation        | 2,898                            | 3%          | 2,812                            | 3%          |
| Other costs         | 5,542                            | 5%          | 6,322                            | 8%          |
| <b>Total</b>        | <b>95,750</b>                    | <b>100%</b> | <b>81,903</b>                    | <b>100%</b> |

### Gross Profit

Gross profit represents the excess of revenue over cost of sales.

For the six months ended 30 June 2015, the Group's gross profit increased to RMB252.7 million, as compared to RMB206.2 million for the six months ended 30 June 2014, representing an increase of approximately RMB46.5 million, or 22.6%. The increase in the Group's gross profit was broadly in line with its revenue growth. The Group's gross profit margin increased to 72.5% for the six months ended 30 June 2015 from 71.6% for the corresponding period of 2014.

### Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income and investment income. For the six months ended 30 June 2015, the Group's other income and gains decreased to RMB5.7 million, as compared to RMB8.2 million for the six months ended 30 June 2014, representing a decrease of approximately RMB2.5 million. The decrease is mainly due to a gain on bargain purchase of a subsidiary arising from the Group's acquisition of a 95.6% equity interest in Guangxi Weikete Biological Technology Co., Ltd. ("Weikete"), which amounted to RMB3.4 million for the six months ended 30 June 2014, whereas the Group did not record a similar gain during the six months ended 30 June 2015. For details of such acquisition of Weikete, please refer to the section headed "History and Development – Acquisition of Guangxi Weikete Biological Technology Co., Ltd." of the Prospectus.

### Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of (i) advertising expenses, (ii) promotion expenses, (iii) transportation expenses, (iv) employee benefit expenses, (v) travel and office expenses, (vi) marketing expenses, and (vii) other miscellaneous expenses. For the six months ended 30 June 2015, the Group's selling and distribution expenses amounted to approximately RMB105.0 million, as compared to RMB110.4 million for the six months ended 30 June 2014, representing a decrease of approximately RMB5.4 million, or 4.9%. The decrease was mainly due to its better cost control on advertising activity for the Group's products.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Administrative Expenses

The Group's administrative expenses primarily consisted of (i) salary and welfare expenses for management and administrative personnel, (ii) travel and office expenses, (iii) research and development costs, (iv) depreciation and amortisation costs relating to its office equipment, (v) amortisation of land use rights, (vi) professional services fees incurred for legal, tax and other services, (vii) listing expenses in connection with the Company's listing on the Stock Exchange, and (viii) other miscellaneous expenses. For the six months ended 30 June 2015, the Group's administrative expenses amounted to approximately RMB34.4 million, as compared to RMB25.9 million for the six months ended 30 June 2014, representing an increase of approximately RMB8.5 million, or 32.9%. The increase was mainly due to a one-off listing expense of approximately RMB10.7 million incurred during the six months ended 30 June 2015.

### Other Expenses

The Group's other expenses primarily consisted of its (i) donations to Golden Throat Football School and for other charity purposes, (ii) impairment of trade and other receivables, (iii) loss on disposal of items of property, plant and equipment, (iv) impairment of assets of a disposal group classified as held for sale relating to the Group's proposed disposal of a 95.6% equity interest of Weikete, and (v) other miscellaneous expenses. For the six months ended 30 June 2015, the Group's other expenses amounted to approximately RMB0.3 million, as compared to RMB0.9 million for the six months ended 30 June 2014, representing a decrease of approximately RMB0.6 million, or 68.3%. The decrease was mainly due to the decrease in donation to Golden Throat Football School, which decreased from RMB0.6 million for the six months ended 30 June 2014 to RMB0.1 million for the six months ended 30 June 2015.

### Finance Costs

For the six months ended 30 June 2015, the Group's finance costs amounted to RMB6.6 million, as compared to RMB6.3 million for the six months ended 30 June 2014, representing an increase of approximately RMB0.3 million, or 4.8%. The increase was mainly due to the increase in average monthly outstanding bank borrowings during the six months ended 30 June 2015 as compared to the corresponding period of 2014. The increase in bank borrowings primarily reflected additional bank loans taken for the Group's general corporate purposes.

### Income Tax Expense

For the six months ended 30 June 2015, the Group's income tax expense amounted to RMB22.1 million, as compared to RMB17.7 million for the six months ended 30 June 2014, representing an increase of RMB4.4 million, or 24.7%. The effective tax rate for the six months ended 30 June 2015 and the corresponding period of 2014 was 19.7% and 25.0%, respectively. The decrease in effective tax rate was mainly due to the relatively less amounts of expenses not deductible for tax purposes and higher profit before tax for the six months ended 30 June 2015. The Group recorded a larger profit before tax for the six months ended 30 June 2015, primarily driven by the Group's higher revenue.

### Net Profit

The Group's net profit for the six months ended 30 June 2015 was approximately RMB90.0 million, as compared to RMB53.2 million for the six months ended 30 June 2014, representing an increase of approximately RMB36.8 million, or 69.1%.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

#### Net Current Assets

As of 30 June 2015, the Group had net current assets of approximately RMB96.4 million, as compared to RMB23.9 million as of 31 December 2014. The current ratio of the Group increased to approximately 1.3 as of 30 June 2015 from 1.1 as of 31 December 2014. The increase in net current assets was mainly because during January to June 2015, the Group recorded a net profit of RMB90.0 million as a result of strong earnings performance. In addition, the Group prepaid approximately RMB21.2 million for the acquisition of land use rights in Luowei Industrial Concentration Area, the remaining was accounted for as an increase in net current assets.

#### Borrowing and the Pledge of Assets

As of 30 June 2015, the Group had an aggregate interest-bearing bank borrowings of approximately RMB142.9 million, as compared to approximately RMB94.8 million as of 31 December 2014. All the bank borrowings are repayable within one year. The increase in bank borrowings primarily reflected additional bank loans taken for the Group's general corporate purposes.

The Group's bills receivable of RMB42.9 million was pledged to secure bank loans as of 30 June 2015, as compared to RMB24.9 million as of 31 December 2014.

No short-term deposits were pledged to secure bank loans as of 30 June 2015, as compared to RMB22.1 million as of 31 December 2014.

#### Gearing Ratio

As of 30 June 2015, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to approximately 78.8% from approximately 103.8% as of 31 December 2014. The decrease was primarily due to the Group's increased bank borrowings from RMB94.8 million as of 31 December 2014 to RMB142.9 million as of 30 June 2015 and increased total equity from RMB91.4 million as of 31 December 2014 to RMB181.5 million as of 30 June 2015 as a result of strong earnings performance.

#### Contingent Liabilities

As of 30 June 2015, the Group had no significant contingent liabilities.

#### Foreign Exchange Risk

The Group's transactions are mainly denominated and settled in RMB. The Group has a small amount of deposit and available-for-sale investments in HKD, amounting to HK\$188,000 and HK\$160,000 as of 30 June 2015, respectively. Accordingly, the Group has minimal exposure to foreign exchange risk that may arise from fluctuations in the HKD to RMB exchange rate. The Directors estimate that any changes in the HKD to RMB exchange rate will not have a significant impact on the Group's financial condition and results. The Group does not maintain a hedging policy against the Group's foreign exchange risk.

During the six months ended 30 June 2015, the Group has not used any financial instrument to hedge its foreign exchange risk.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### EMPLOYEES AND EMOLUMENTS POLICY

As of 30 June 2015, the Group employed a total of 1,104 full-time employees, as compared to a total of 1,144 full-time employees as of 31 December 2014. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB30.4 million for the six months ended 30 June 2015 as compared to RMB31.1 million for the corresponding period in 2014. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end bonuses are offered to those staffs with outstanding performances to attract and retain capable employees of the Group.

### SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2015, the Group did not have any significant investments.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group currently does not have other plans for material investments or capital assets.

### SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

In connection with the Company's global offering, 181,590,000 shares with a nominal value of US\$0.000025 each were issued at a price of HK\$4.60 per share for a total cash consideration, before underwriting fees, commissions and related expenses, of approximately HK\$835,314,000. Dealings in the shares of the Company on the Stock Exchange commenced on 15 July 2015. In connection with the partial exercise of the over-allotment option by sole global coordinator for the global offering, 22,823,000 additional shares with a nominal value of US\$0.000025 each were issued at a price of HK\$4.60 per share for a total cash consideration, before underwriting fees, commissions and related expenses, of approximately HK\$104,985,800.

### PROSPECTS

The Group will continue to seek to strengthen its leading position in the lozenge market and continue to expand its market share in the PRC pharmaceutical and food markets. Moreover, it will aim to increase its production capacities, expanding its product portfolio and strengthening its research and development capabilities. It will enhance its food and other pharmaceutical businesses and promote synergies across different product segments, at the same time enhancing its brand recognition through effective and targeted marketing. Furthermore, the Group will continue to expand its distribution network, refining associated infrastructure and leveraging on existing distribution network to market different products.

### INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2015.



## CORPORATE GOVERNANCE/OTHER INFORMATION

### COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The shares of the Company were listed on the Stock Exchange with effect from 15 July 2015 (the “Listing” or “Listing Date”). As the Company was not a listed company during the six months ended 30 June 2015, the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) was not applicable to it during that period. The CG Code is applicable to the Company with effect from the Listing Date. During the period from the Listing Date to the date of this report, the Company has been in compliance with the code provisions of the CG Code.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. As the Company was not listed on the Stock Exchange during the six months ended 30 June 2015, the provisions under the Listing Rules in relation to compliance with the Model Code by the Directors were not applicable to the Company for the six months ended 30 June 2015. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code from the Listing Date to the date of this report.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company was listed on the Stock Exchange on 15 July 2015. There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months period ended 30 June 2015.

## CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

### USE OF NET PROCEEDS FROM LISTING

The Proceeds (including those Shares issued pursuant to the partial exercise of the over-allotment option), after deducting underwriting fees and related expenses, amounted to approximately HK\$909.6 million, which sum was originally intended to be applied in the manner disclosed in the Prospectus. As disclosed in the Prospectus, the Company intended to use (i) approximately 23% of the Proceeds for the construction of a new medicines production and research and development base in Luwei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region; (ii) approximately 21% of the Proceeds for the conversion of its current headquarters at No. 28, Yuejin Road, Liuzhou, Guangxi Zhuang Autonomous Region into a food production plant and food research and development centre; (iii) approximately 32% of the Proceeds for market expansion in 2015, 2016 and 2017; (iv) approximately 9% of the Proceeds for product development; (v) approximately 4% of the Proceeds for the establishment of a Chinese herbs processing base on its current site in Laibin, Guangxi Zhuang Autonomous Region; (vi) approximately 1% of the Proceeds for the refinement and upgrade of its electronic tracking code systems to better monitor the distribution of its pharmaceutical and food products; and (vii) the remaining amount of approximately 10% of the Proceeds for funding of its working capital and other general corporate purposes. Details of the use of the Proceeds are set out in the Prospectus. As of the date of this report, there is no change to the intended use of Proceeds as disclosed in the Prospectus.

### AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Board has established an audit committee (the "Audit Committee") which comprises three independent non-executive Directors, namely Mr. ZHU Jierong, Mr. LI Hua and Mr. CHENG Yiqun. Mr. ZHU Jierong is the chairman of the Audit Committee.

The Audit Committee has reviewed together with the Company's management the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015. The Audit Committee has also reviewed the effectiveness of the internal control system of the Company and considers the internal control system to be effective and adequate.

The interim results of the Group for the six months ended 30 June 2015 are unaudited.

### DIRECTORS' AND THE GENERAL MANAGER'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the Company was not listed on the Stock Exchange as of 30 June 2015, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"), section 352 of the SFO and the Model Code were not applicable to the Directors or the general manager of the Company as of 30 June 2015.



## CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

As of the date of this report, the interests and short positions of the Directors and the general manager of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Long Positions in the Shares, underlying Shares and debentures of the Company:

| Name of Director                  | Capacity/<br>Nature of interest         | Number of<br>Shares held | Approximate<br>percentage<br>of the total<br>issued Shares |
|-----------------------------------|---|--------------------------|--|
| Mr. ZENG Yong <sup>(3)</sup>      | Founder of a discretionary trust        | 544,770,000              | 72.7%  |
| Ms. JIANG Peizhen <sup>(4)</sup>  | Interest through controlled corporation | 96,253,200               | 12.8%  |
| Mr. HUANG Jianping <sup>(5)</sup> | Beneficiary of a trust                  | 17,100,000               | 2.3%   |
| Mr. ZENG Kexiong <sup>(6)</sup>   | Beneficiary of a trust                  | 17,100,000               | 2.3%   |
| Mr. LU Xinghong <sup>(7)</sup>    | Beneficiary of a trust                  | 17,100,000               | 2.3%   |
| Mr. HE Jinqiang <sup>(8)</sup>    | Beneficiary of a trust                  | 17,100,000               | 2.3%   |

Notes:

- (1) Terms used in these notes have the meanings prescribed to them in the Prospectus.
- (2) The calculation is based on the total number of 749,183,000 Shares in issue immediately following the completion of the global offering and the partial exercise of the Over-allotment Option.
- (3) The Family Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of Mr. ZENG Yong and his children and descendants with Sovereign Trust International Limited acting as the trustee, holds the entire issued share capital of Golden Throat International through Jin Jiang Global. As a result, Mr. ZENG Yong is deemed to be interested in 448,516,800 Shares held by Golden Throat International (which is 100% owned by Jin Jiang Global). Mr. ZENG is also the settlor of the Employees Trust and the Senior Management Trust which together hold the remaining 12.8% of the issued share capital of the Company immediately after the completion of the global offering and the partial exercise of the Over-allotment Option. Furthermore, for so long as Jin Chen Employee Holdings Limited hold or control shares in the Company, all voting rights attaching to such shares shall be exercised by an investment review panel consisting of Mr. ZENG Yong and Ms. JIANG Peizhen and/or such other person(s) as they may wish to appoint. As a result, Mr. ZENG is also deemed to be interested in all the 544,770,000 Shares of the Company.
- (4) Ms. JIANG Peizhen is the protector of both the Employees Trust and the Senior Management Trust. For so long as Jin Chen Employee Holdings Limited hold or control shares in the Company, all voting rights attaching to such shares shall be exercised by an investment review panel consisting of Mr. ZENG Yong and Ms. JIANG Peizhen and/or such other person(s) as they may wish to appoint. As a result, Ms. JIANG Peizhen is deemed to be interested in 96,253,200 Shares of the Company.
- (5) The Senior Management Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of certain senior management employed or formerly employed by Golden Throat Company and their dependents including Mr. HUANG Jianping, with Jin Chen Employee Holdings Limited as the trustee, holds the entire issued share capital of Jin Qing Global.

Mr. HUANG Jianping holds 9/95 of the total assets of the Senior Management Trust, representing 1,620,000 Shares. As he is the beneficiary of the Senior Management Trust, he is deemed to be interested in all the Shares held by the Senior Management Trust. Accordingly, Mr. HUANG Jianping is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.

## CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

- (6) The Senior Management Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of certain senior management employed or formerly employed by Golden Throat Company and their dependents including Mr. ZENG Kexiong, with Jin Chen Employee Holdings Limited as the trustee, holds the entire issued share capital of Jin Qing Global.

Mr. ZENG Kexiong holds 40/95 of the total assets of the Senior Management Trust, representing 7,200,000 Shares. As he is the beneficiary of the Senior Management Trust, he is deemed to be interested in all the Shares held by the Senior Management Trust. Accordingly, Mr. ZENG Kexiong is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.

- (7) The Senior Management Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of certain senior management employed or formerly employed by Golden Throat Company and their dependents including Mr. LU Xinghong, with Jin Chen Employee Holdings Limited as the trustee, holds the entire issued share capital of Jin Qing Global.

Mr. LU Xinghong holds 37/95 of the total assets of the Senior Management Trust, representing 6,660,000 Shares. As he is the beneficiary of the Senior Management Trust, he is deemed to be interested in all the Shares held by the Senior Management Trust. Accordingly, Mr. LU Xinghong is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.

- (8) The Senior Management Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of certain senior management employed or formerly employed by Golden Throat Company and their dependents including Mr. HE Jinqiang, with Jin Chen Employee Holdings Limited as the trustee, holds the entire issued share capital of Jin Qing Global.

Mr. HE Jinqiang holds 9/95 of the total assets of the Senior Management Trust, representing 1,620,000 Shares. As he is the beneficiary of the Senior Management Trust, he is deemed to be interested in all the Shares held by the Senior Management Trust. Accordingly, Mr. HE Jinqiang is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.

Save as disclosed above, as of the date of this report, so far as is known to any Director or the general manager of the Company, none of the Directors or the general manager of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (ii) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No rights to acquire benefits by means of the acquisition of Shares or debentures of the Company were granted by the Company to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the six months ended 30 June 2015.



## CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company was not listed on the Stock Exchange as of 30 June 2015, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as of 30 June 2015.

As of the date of this report, to the knowledge of the Directors, the interests or short positions of the following persons (excluding the Directors or the general manager of the Company, whose interests are disclosed on page 17 above) in the Shares or underlying Shares of the Company, which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

| Name  | Capacity/<br>Nature of interest    | Number of<br>Shares held | Approximate<br>percentage<br>of the total<br>issued Shares |
|---|------------------------------------|--------------------------|--|
| Family Trust <sup>(4)</sup>                             | Interest of controlled corporation | 448,516,800              | 59.9%  |
| Sovereign Trust<br>International Limited <sup>(4)</sup> | Trustee of a discretionary trust   | 448,516,800              | 59.9%  |
| Jin Jiang Global <sup>(4)</sup>                         | Interest of controlled corporation | 448,516,800              | 59.9%  |
| Golden Throat International                             | Beneficial owner                   | 448,516,800              | 59.9%  |
| Jin Chen Employee<br>Holdings Limited <sup>(5)</sup>    | Trustee of a discretionary trust   | 96,253,200               | 12.8%  |
| Employees Trust   | Interest of controlled corporation | 79,153,200               | 10.6%  |
| Jin Chen Global   | Beneficial owner                   | 79,153,200               | 10.6%  |

Notes:

- (1) Terms used in these notes have the meanings prescribed to them in the Prospectus.
- (2) All interests stated are long positions.
- (3) The calculation is based on the total number of 749,183,000 Shares in issue immediately following the completion of the global offering and the partial exercise of the Over-allotment Option on 5 August 2015.
- (4) The Family Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of Mr. ZENG Yong and his children and descendants. Sovereign Trust International Limited is the trustee of the Family Trust and holds 100% issued share capital of Jin Jiang Global, which then holds 100% issued share capital of Golden Throat International, thus the Family Trust, Sovereign Trust International Limited and Jin Jiang Global are each deemed to be interested in the 448,516,800 Shares held by Golden Throat International, which represents 59.9% of the issued share capital of the Company immediately after the completion of the global offering and the partial exercise of the Over-allotment Option.
- (5) Jin Chen Employee Holdings Limited is the trustee of both the Employees Trust and the Senior Management Trust and holds 100% of issued share capital of Jin Chen Global and Jin Qing Global, which holds, in aggregate, 96,253,200 Shares of the Company. As a result, Jin Chen Employee Holdings Limited is deemed to be interested in 12.8% of the issued share capital of the Company immediately after the completion of the global offering and the partial exercise of the Over-allotment Option.

**CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)**

Save as disclosed above, as of the date of this report, the Directors of the Company are not aware of any other person (excluding the Directors or the general manager of the Company, whose interests are disclosed on page 17 above) who has interests or short positions in the Shares or underlying Shares of the Company, which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of SFO, or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

By order of the Board  
**Golden Throat Holdings Group Company Limited**  
**JIANG Peizhen**  
*Chairman*

Guangxi, the PRC, 28 August 2015





## Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

|  | Notes | 2015<br>Unaudited<br>RMB'000 | 2014<br>Unaudited<br>RMB'000 |
|--|-------|------------------------------|------------------------------|
| <b>REVENUE</b>   | 5     | <b>348,462</b>               | 288,114                      |
| Cost of sales  |       | <b>(95,750)</b>              | (81,903)                     |
| Gross profit   |       | <b>252,712</b>               | 206,211                      |
| Other income and gains   | 5     | <b>5,678</b>                 | 8,228                        |
| Selling and distribution expenses  |       | <b>(105,023)</b>             | (110,435)                    |
| Administrative expenses  |       | <b>(34,382)</b>              | (25,867)                     |
| Other expenses   |       | <b>(286)</b>                 | (902)                        |
| Finance costs  |       | <b>(6,560)</b>               | (6,258)                      |
| <b>PROFIT BEFORE TAX</b>   | 6     | <b>112,139</b>               | 70,977                       |
| Income tax expense   | 7     | <b>(22,107)</b>              | (17,731)                     |
| <b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                      |       | <b>90,032</b>                | 53,246                       |
| Attributable to:   |       |                              |                              |
| Owners of the parent   |       | <b>90,032</b>                | 53,304                       |
| Non-controlling interests  |       | <b>–</b>                     | (58)                         |
|  |       | <b>90,032</b>                | 53,246                       |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:</b> |       |                              |                              |
| Basic and diluted  |       |                              |                              |
| – For profit for the period  | 8     | <b>RMB25 cents</b>           | N/A                          |

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2015

|  | Notes      | 30 June<br>2015<br>Unaudited<br>RMB'000 | 31 December<br>2014<br>Audited<br>RMB'000 |
|--|------------|---|---|
| <b>NON-CURRENT ASSETS</b>                          |            |   |   |
| Property, plant and equipment                      | 9          | 36,992                                  | 39,601                                    |
| Advance payments for property, plant and equipment |            | 1,168                                   | 907                                       |
| Prepaid land lease payments                        |            | 41,674                                  | 20,741                                    |
| Prepayments, deposits and other receivables        |            | 307                                     | 378                                       |
| Deferred tax assets                                |            | 10,426                                  | 10,533                                    |
| Total non-current assets                           |            | 90,567                                  | 72,160                                    |
| <b>CURRENT ASSETS</b>                              |            |   |   |
| Inventories  |            | 36,356                                  | 47,853                                    |
| Trade and bills receivables                        | 10         | 258,724                                 | 261,998                                   |
| Prepayments, deposits and other receivables        |            | 45,612                                  | 31,950                                    |
| Due from related parties                           | 15(b)(i)   | 1,656                                   | 3,673                                     |
| Available-for-sale investments                     |            | 126                                     | 1,103                                     |
| Pledged deposits                                   | 11         | –                                       | 22,126                                    |
| Cash and cash equivalents                          | 11         | 93,035                                  | 127,163                                   |
| Total current assets                               |            | 435,509                                 | 495,866                                   |
| <b>CURRENT LIABILITIES</b>                         |            |   |   |
| Trade payables                                     | 12         | 21,486                                  | 19,773                                    |
| Other payables and accruals                        |            | 142,054                                 | 172,322                                   |
| Interest-bearing bank borrowings                   | 13         | 142,937                                 | 94,780                                    |
| Due to a director                                  | 15(b)(ii)  | 708                                     | 188                                       |
| Due to related parties                             | 15(b)(iii) | 79                                      | 7,585                                     |
| Tax payable  |            | 31,432                                  | 39,219                                    |
| Government grants                                  |            | 366                                     | 410                                       |
| Dividend payable                                   |            | –                                       | 137,720                                   |
| Total current liabilities                          |            | 339,062                                 | 471,997                                   |
| <b>NET CURRENT ASSETS</b>                          |            | <b>96,447</b>                           | <b>23,869</b>                             |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>       |            | <b>187,014</b>                          | <b>96,029</b>                             |



## Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2015

|  | <b>30 June<br/>2015<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2014<br>Audited<br>RMB'000 |
|--|---|---|
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> | <b>187,014</b>                                    | 96,029                                    |
| <b>NON-CURRENT LIABILITIES</b>               |   |   |
| Other payables and accruals                  | <b>984</b>  | 1,104                                     |
| Government grants                            | <b>2,645</b>                                      | 3,494                                     |
| Deferred tax liabilities                     | <b>1,917</b>                                      | 79  |
| Total non-current liabilities                | <b>5,546</b>                                      | 4,677                                     |
| Net assets                                   | <b>181,468</b>                                    | 91,352                                    |
| <b>EQUITY</b>                                |   |   |
| Equity attributable to owners of the parent  |   |   |
| Share capital                                | <b>84</b>   | –   |
| Reserves                                     | <b>181,384</b>                                    | 91,352                                    |
| Total equity                                 | <b>181,468</b>                                    | 91,352                                    |

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

|  | Attributable to owners of the parent |                              |                               |                            |                              |                                      |                  | Total equity<br>RMB'000 |
|--|--------------------------------------|------------------------------|-------------------------------|----------------------------|------------------------------|--------------------------------------|------------------|-------------------------|
|  | Share capital<br>RMB'000             | Capital reserves*<br>RMB'000 | Statutory and other reserves* |                            | Retained profits*<br>RMB'000 | Non-controlling interests<br>RMB'000 | Total<br>RMB'000 |                         |
|  |                                      |                              | surplus reserves*<br>RMB'000  | Other reserves*<br>RMB'000 |                              |                                      |                  |                         |
| At 1 January 2015                                    | -                                    | 8,952                        | 78,534                        | (24)                       | 3,890                        | 91,352                               | -                | 91,352                  |
| Profit and total comprehensive income for the period | -                                    | -                            | -                             | -                          | 90,032                       | 90,032                               | -                | 90,032                  |
| Issue of shares                                      | 84                                   | -                            | -                             | -                          | -                            | 84                                   | -                | 84                      |
| <b>At 30 June 2015 (Unaudited)</b>                   | <b>84</b>                            | <b>8,952</b>                 | <b>78,534</b>                 | <b>(24)</b>                | <b>93,922</b>                | <b>181,468</b>                       | <b>-</b>         | <b>181,468</b>          |
| At 1 January 2014                                    | -                                    | 39,217                       | 78,534                        | (24)                       | 49,286                       | 167,013                              | -                | 167,013                 |
| Profit and total comprehensive income for the period | -                                    | -                            | -                             | -                          | 53,304                       | 53,304                               | (58)             | 53,246                  |
| Acquisition of a subsidiary                          | -                                    | -                            | -                             | -                          | -                            | -                                    | 688              | 688                     |
| <b>At 30 June 2014 (Unaudited)</b>                   | <b>-</b>                             | <b>39,217</b>                | <b>78,534</b>                 | <b>(24)</b>                | <b>102,590</b>               | <b>220,317</b>                       | <b>630</b>       | <b>220,947</b>          |

\* These reserve accounts comprise the consolidated reserves of RMB181,384,000 (31 December 2014: RMB91,352,000) in the interim condensed consolidated statement of financial position as at 30 June 2015.



## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

|  | 2015<br>Unaudited<br>RMB'000 | 2014<br>Unaudited<br>RMB'000 |
|--|------------------------------|------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                |                              |                              |
| Profit before tax  | 112,139                      | 70,977                       |
| Adjustments for:   |                              |                              |
| Depreciation of items of property, plant and equipment                     | 3,254                        | 4,355                        |
| Amortisation of prepaid land lease payments                                | 288                          | 301                          |
| Recognition of government grants   | (893)                        | (155)                        |
| Loss on disposal of items of property, plant and equipment                 | 70                           | 107                          |
| Gain on bargain purchase of a subsidiary                                   | -                            | (3,442)                      |
| Investment income from available-for-sale investments                      | (88)                         | (94)                         |
| Bank interest income   | (412)                        | (384)                        |
| Finance costs  | 6,560                        | 6,258                        |
| Government grants for lower interest loans                                 | (682)                        | (1,218)                      |
| Write-down/(reversal of write-down) of inventories to net realisable value | 215                          | (55)                         |
|  | <b>120,451</b>               | 76,650                       |
| Decrease in trade and bills receivables                                    | 3,274                        | 7,514                        |
| Increase in prepayments, deposits and other receivables                    | (12,036)                     | (72,906)                     |
| Decrease in amounts due from related parties                               | 2,101                        | -                            |
| Decrease/(increase) in inventories   | 11,282                       | (6,833)                      |
| Increase/(decrease) in trade payables                                      | 1,713                        | (2,198)                      |
| Increase in amount due to a director                                       | 520                          | 172                          |
| Decrease in other payables and accruals                                    | (32,558)                     | (3,522)                      |
|  | <b>94,747</b>                | (1,123)                      |
| Cash generated from operations   | 94,747                       | (1,123)                      |
| Interest received  | 412                          | 384                          |
| Interest paid  | (5,878)                      | (5,040)                      |
| Income tax paid  | (27,949)                     | (16,444)                     |
|  | <b>61,332</b>                | (22,223)                     |
| Net cash flows from/(used in) operating activities                         | 61,332                       | (22,223)                     |

## Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2015

|  | 2015<br>Unaudited<br>RMB'000 | 2014<br>Unaudited<br>RMB'000 |
|--|------------------------------|------------------------------|
| Net cash flows from/(used in) operating activities               | 61,332                       | (22,223)                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                              |                              |
| Purchases of items of property, plant and equipment              | (1,267)                      | (2,065)                      |
| Prepayment of land lease payments                                | (21,221)                     | –                            |
| Purchases of available-for-sale investments                      | –                            | (39,000)                     |
| Proceeds from disposal of available-for-sale investments         | 1,065                        | 35,096                       |
| Proceeds from disposal of items of property, plant and equipment | 111                          | 45                           |
| Acquisition of a subsidiary                                      | –                            | (8,951)                      |
| Decrease in prepayments, deposits and other receivables          | 1,296                        | –                            |
| Net cash flows used in investing activities                      | (20,016)                     | (14,875)                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |                              |                              |
| Repayment of bank loans  | (257,982)                    | (124,992)                    |
| New bank loans   | 306,139                      | 253,082                      |
| Decrease in amounts due to related parties                       | (7,506)                      | –                            |
| Increase in prepayments, deposit and other receivables           | (2,851)                      | –                            |
| Decrease in pledged deposits                                     | 22,126                       | –                            |
| Increase in other payables and accruals                          | 2,350                        | –                            |
| Dividends paid to shareholders                                   | (137,720)                    | (113,494)                    |
| Net cash flows (used in)/from financing activities               | (75,444)                     | 14,596                       |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                 | (34,128)                     | (22,502)                     |
| Cash and cash equivalents at beginning of period                 | 127,163                      | 145,505                      |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                | 93,035                       | 123,003                      |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>         |                              |                              |
| <b>Cash and bank balances</b>                                    | 93,035                       | 123,003                      |



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 2 September 2014. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally involved in the manufacture and sale of pharmaceutical, healthcare food and other products.

In the opinion of the directors, the holding company of the Company is Golden Throat International Holding Limited, which is incorporated in British Virgin Islands.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the financial information included in the Accountants’ Report in Appendix I to the prospectus of the Company dated 30 June 2015 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and should be read in conjunction with the Group’s financial information for the year ended 31 December 2014 included in the Accountants’ Report in Appendix I to the Prospectus.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of Accountants’ Report for the three years ended 31 December 2012, 2013 and 2014, except for the adoption of revised standards and new interpretation effective as of 1 January 2015:

Amendments to HKAS 19  
*Annual Improvements 2010-2012 Cycle*  
*Annual Improvements 2011-2013 Cycle*

*Defined Benefit Plans: Employee Contributions*  
Amendments to a number of Hong Kong Financial  
Reporting Standards (“HKFRSs”)  
Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has no significant financial effect on the interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in the interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2015

**4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

**5. REVENUE, OTHER INCOME AND GAINS**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and net of value added tax and government surcharges during the six months ended of 30 June 2014 and 2015.

An analysis of revenue, other income and gains is as follows:

|   | <b>Six months ended 30 June</b> |           |
|---|---------------------------------|-----------|
|   | <b>2015</b>                     | 2014      |
|   | <b>Unaudited</b>                | Unaudited |
|   | <b>RMB'000</b>                  | RMB'000   |
| <b>Revenue</b>  |                                 |           |
| Sale of Goods   | <b>348,462</b>                  | 288,114   |
| <b>Other income</b>                                   |                                 |           |
| Government grants                                     | <b>4,557</b>                    | 4,155     |
| Bank interest income                                  | <b>412</b>                      | 384       |
| Investment income from available-for-sale investments | <b>88</b>                       | 94        |
| Rental income   | <b>–</b>                        | 50        |
| Others  | <b>621</b>                      | 103       |
|   | <b>5,678</b>                    | 4,786     |
| <b>Gain</b>   |                                 |           |
| Gain on bargain purchase of a subsidiary              | <b>–</b>                        | 3,442     |
|   | <b>5,678</b>                    | 8,228     |



## Notes to the Interim Condensed Consolidated Financial Statements (Continued)

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### 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

|   | Six months ended 30 June     |                              |
|---|------------------------------|------------------------------|
|   | 2015<br>Unaudited<br>RMB'000 | 2014<br>Unaudited<br>RMB'000 |
| Cost of inventories sold  | 95,750                       | 81,903                       |
| Depreciation of items of property, plant and equipment                        | 3,254                        | 4,355                        |
| Amortisation of land lease payments   | 288                          | 301                          |
| Research and development costs  | 853                          | 944                          |
| Minimum lease payments under operating leases of buildings                    | 343                          | 197                          |
| Auditors' remuneration  | 630                          | 880                          |
| Government grants   | (4,557)                      | (4,155)                      |
| Bank interest income  | (412)                        | (384)                        |
| Investment income from available-for-sale investments                         | (88)                         | (94)                         |
| Rental income   | –                            | (50)                         |
| Gain on bargain purchase of a subsidiary                                      | –                            | (3,442)                      |
| Employee benefit expense (excluding directors' remuneration):                 |                              |                              |
| Wages and salaries  | 25,754                       | 25,208                       |
| Pension   | 4,022                        | 3,944                        |
| Staff welfare expenses  | 7,323                        | 7,187                        |
|   | <b>37,099</b>                | <b>36,339</b>                |
| Loss on disposal of items of property, plant and equipment                    | 70                           | 107                          |
| Donation  | 113                          | 780                          |
| Write-down/(reversal of write-down) of inventories<br>to net realisable value | 215                          | (55)                         |

## Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2015

**7. INCOME TAX**

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the profit or loss are:

|  | <b>Six months ended 30 June</b>                   |                              |
|--|---|------------------------------|
|  | <b>2015</b><br><b>Unaudited</b><br><b>RMB'000</b> | 2014<br>Unaudited<br>RMB'000 |
| Current tax:                           |   |                              |
| Charge for the period                  | <b>20,162</b>                                     | 19,811                       |
| Deferred tax                           | <b>1,945</b>                                      | (2,080)                      |
| <b>Total tax charge for the period</b> | <b>22,107</b>                                     | 17,731                       |

**8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The calculation of basic earnings per share attributable to ordinary equity holders of the parent is based on the following data:

|   | <b>Six months ended 30 June</b>                   |                              |
|---|---|------------------------------|
|   | <b>2015</b><br><b>Unaudited</b><br><b>RMB'000</b> | 2014<br>Unaudited<br>RMB'000 |
| <b>Earnings</b>   |   |                              |
| Profit attributable to ordinary equity holders of the parent,<br>used in the basic earnings per share calculation | <b>90,032</b>                                     | 53,304                       |

## Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2015

### 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

|  | Number of Shares         |           |
|--|--------------------------|-----------|
|  | Six months ended 30 June |           |
|  | 2015                     | 2014      |
|  | Unaudited                | Unaudited |
| <b>Shares</b>  |                          |           |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | <b>355,166,520</b>       | N/A       |

No earnings per share information has been presented as its inclusion is not considered meaningful for the prior period after considering the capital structure of the Group for the six months ended 30 June 2014.

The Group did not have any dilutive potential ordinary shares during the period.

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired assets with a cost of RMB826,000 (the six months ended 30 June 2014: RMB4,731,000).

Assets with a net book value of RMB181,000 were disposed of by the Group during the six months ended 30 June 2015 (the six months ended 30 June 2014: RMB152,000), resulting in a net loss on disposal of RMB70,000 (the six months ended 30 June 2014: net loss on disposal of RMB107,000).



## Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2015

## 10. TRADE AND BILLS RECEIVABLES

|                   | <b>30 June<br/>2015<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2014<br>Audited<br>RMB'000 |
|-------------------|---|---|
| Trade receivables | <b>47,431</b>                                     | 50,374                                    |
| Bills receivable  | <b>224,567</b>                                    | 224,898                                   |
|                   | <b>271,998</b>                                    | 275,272                                   |
| Impairment        | <b>(13,274)</b>                                   | (13,274)                                  |
|                   | <b>258,724</b>                                    | 261,998                                   |

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months, extending up to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

|                    | <b>30 June<br/>2015<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2014<br>Audited<br>RMB'000 |
|--------------------|---|---|
| Less than 3 months | <b>32,145</b>                                     | 32,961                                    |
| 3 to 6 months      | <b>522</b>  | 2,544                                     |
| 6 to 12 months     | <b>631</b>  | 994                                       |
| 1 to 2 years       | <b>258</b>  | 371                                       |
| Over 2 years       | <b>601</b>  | 230                                       |
|                    | <b>34,157</b>                                     | 37,100                                    |

## Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2015

### 11. CASH AND CASH EQUIVALENTS

|                                   | <b>30 June<br/>2015<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2014<br>Audited<br>RMB'000 |
|-----------------------------------|---|---|
| Cash and bank balances            | <b>93,035</b>                                     | 127,163                                   |
| Time deposits                     | –   | 22,126                                    |
|                                   | <b>93,035</b>                                     | 149,289                                   |
| Less: Pledged deposits:           |   |   |
| Pledged for short term bank loans | –   | (22,126)                                  |
| Cash and cash equivalents         | <b>93,035</b>                                     | 127,163                                   |

### 12. TRADE PAYABLES

|                | <b>30 June<br/>2015<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2014<br>Audited<br>RMB'000 |
|----------------|---|---|
| Trade payables | <b>21,486</b>                                     | 19,773                                    |

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

|                    | <b>30 June<br/>2015<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2014<br>Audited<br>RMB'000 |
|--------------------|---|---|
| Less than 3 months | <b>19,815</b>                                     | 17,156                                    |
| 3 to 6 months      | <b>139</b>  | 1,305                                     |
| 6 to 12 months     | <b>528</b>  | 463                                       |
| 1 to 2 years       | <b>671</b>  | 602                                       |
| Over 2 years       | <b>333</b>  | 247                                       |
|                    | <b>21,486</b>                                     | 19,773                                    |

## Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2015

**13. INTEREST-BEARING BANK BORROWINGS**

|                                 | Effective<br>interest rate<br>(%) | Maturity      | 30 June<br>2015<br>Unaudited<br>RMB'000 | 31 December<br>2014<br>Audited<br>RMB'000 |
|---------------------------------|-----------------------------------|---------------|---|---|
| Current                         |                                   |               |   |   |
| – Bank loans – secured          | 4.0 – 6.0                         | Within 1 year | <b>82,937</b>                           | 84,780                                    |
| – Bank loans – unsecured        | 5.6 – 6.0                         | Within 1 year | <b>60,000</b>                           | 10,000                                    |
|                                 |                                   |               | <b>142,937</b>                          | 94,780                                    |
| Analysed into:                  |                                   |               |   |   |
| Bank loans repayable:           |                                   |               |   |   |
| Within one year or<br>on demand |                                   |               | <b>142,937</b>                          | 94,780                                    |

Notes:

Certain of the Group's bank loans are secured by:

- (i) certain of the Group's leasehold lands which had aggregate net carrying values of RMB17,419,000 as at 30 June 2015 (31 December 2014: RMB17,659,000);
- (ii) certain of the Group's property, plant and equipment which had aggregate net carrying values of RMB1,789,000 as at 30 June 2015 (31 December 2014: RMB1,861,000);
- (iii) the pledge of the Group's bills receivable of RMB42,937,000 as at 30 June 2015 (31 December 2014: RMB24,880,000); and
- (iv) the pledge of the Group's time deposits of nil as at 30 June 2015 (31 December 2014: RMB22,126,000).

**14. COMMITMENTS**

The Group had the following capital commitments at the end of the reporting period:

|                                     | 30 June<br>2015<br>Unaudited<br>RMB'000 | 31 December<br>2014<br>Audited<br>RMB'000 |
|-------------------------------------|---|---|
| Authorised, but not contracted for: |   |   |
| Land and buildings                  | <b>254,026</b>                          | 273,526                                   |
| Plant and machinery                 | <b>62,419</b>                           | 62,419                                    |
|                                     | <b>316,445</b>                          | 335,945                                   |



## Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2015

### 15. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following transactions with related parties during the reporting period:

|   |                       | Six months ended 30 June |           |
|---|-----------------------|--------------------------|-----------|
|   |                       | 2015                     | 2014      |
|   |                       | Unaudited                | Unaudited |
|   |                       | RMB'000                  | RMB'000   |
| Notes   |                       |                          |           |
| <b>An entity ultimately controlled by a director</b>    |                       |                          |           |
| Guangxi Weikete Biological Technology Co., Ltd.         |                       |                          |           |
|   | Purchases of products | 1,796                    | –         |
| (i)   |                       |                          |           |
| <b>An entity significantly influenced by a director</b> |                       |                          |           |
| Golden Throat Football School                           |                       |                          |           |
|   | Donation to           | 60                       | 600       |
| (ii)  |                       |                          |           |

Notes:

- (i) The purchases of products were made at the prices charged to third parties.
- (ii) The donation was made based on mutual agreement.
- (b) Outstanding balances with related parties:
- (i) As disclosed in the interim condensed consolidated statement of financial position, the Group had an outstanding balance due from related parties of RMB1,656,000 (31 December 2014: RMB3,673,000) as at the end of the reporting period. Out of the outstanding balance of RMB1,572,000 is unsecured, non-interest-bearing and will be settled by offsetting the liabilities arising from purchase of raw materials from the related party in future. The remaining outstanding balance of RMB84,000 is capital injection due from the shareholders, which is unsecured, non-interest-bearing and repayable on demand.
- (ii) The Group had an outstanding balance due to a director of RMB708,000 (31 December 2014: RMB188,000) as at the end of the reporting period. The balance is unsecured, non-interest-bearing and repayable on demand.
- (iii) The Group had outstanding balances due to related parties of RMB79,000 (31 December 2014: RMB7,585,000) as at the end of the reporting period. The balance is unsecured, non-interest-bearing and repayable on demand.

## Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2015

**15. RELATED PARTY TRANSACTIONS** (Continued)

(c) Compensation of key management personnel of the Group:

|                              | <b>Six months ended 30 June</b> |           |
|------------------------------|---------------------------------|-----------|
|                              | <b>2015</b>                     | 2014      |
|                              | <b>Unaudited</b>                | Unaudited |
|                              | <b>RMB'000</b>                  | RMB'000   |
| Short-term employee benefits | <b>3,533</b>                    | 3,531     |
| Pension scheme contributions | <b>163</b>                      | 163       |
|                              | <b>3,696</b>                    | 3,694     |

**16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

All the carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and amounts due from/to a director and related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of interest-bearing bank borrowings approximate to their carrying amounts largely due to the fixed interest rate of these instruments or the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. As at 30 June 2015, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices. The Group's own non-performance risk for available-for-sale investments as at the end of each of the reporting period was assessed to be insignificant.

## Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2015

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

As at 30 June 2015

|                                | Fair value measurement using                                 |   |   | Total<br>RMB'000 |
|--------------------------------|--|---|---|------------------|
|                                | Quoted<br>prices in<br>active inputs<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>RMB'000 |                  |
| Available-for-sale investments | 126  | –   | –   | 126              |

As at 31 December 2014

|                                | Fair value measurement using                                 |   |   | Total<br>RMB'000 |
|--------------------------------|--|---|---|------------------|
|                                | Quoted<br>prices in<br>active inputs<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>RMB'000 |                  |
| Available-for-sale investments | 103  | 1,000   | –   | 1,103            |

The Group did not have any financial liabilities measured at fair value as at 30 June 2015.

### 17. EVENTS AFTER THE REPORTING PERIOD

In connection with the Company's global offering, 181,590,000 shares with a nominal value of US\$0.000025 each were issued at a price of HK\$4.60 per share for a total cash consideration, before underwriting fees, commissions and related expenses, of approximately HK\$835,314,000. Dealings in the shares of the Company on the Stock Exchange commenced on 15 July 2015. In connection with the partial exercise of the over-allotment option by the sole global coordinator for the global offering, 22,823,000 additional shares with a nominal value of US\$0.000025 each were issued at a price of HK\$4.60 per share for a total cash consideration, before underwriting fees, commissions and related expenses, of approximately HK\$104,985,800.



## Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2015

### **18. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited interim condensed consolidated financial statements were approved and authorised by the board of directors of the Company on 28 August 2015.

