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

ANNUAL REPORT 2016


清清嗓子
让世界听我的
金嗓
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草本植物饮

CONTENTS

COMPANY PROFILE

Golden Throat Holdings Group Company Limited (the "Company", together with its subsidiaries, the "Group") is a leading manufacturer of lozenges in China. In November 2016, the Group's flagship product, Golden Throat Lozenges (OTC) was awarded No. 1 amongst Chinese traditional medicines (Throat) in 2016 by CNMA. 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. Currently, 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 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

STOCK CODE

06896

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

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

PRINCIPAL BANK

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

FINANCIAL HIGHLIGHTS

- Revenue increased by RMB61.3 million or 8.7% to RMB768.2 million, as compared to the year ended 31 December 2015.
- Gross profit increased by RMB32.8 million or 6.3% to RMB554.9 million, as compared to the year ended 31 December 2015, and gross profit margin reached 72.2%.
- Earnings before interest, taxes, depreciation and amortisation decreased by RMB29.4 million or 13.5% to RMB189.1 million, as compared to the year ended 31 December 2015.
- Profit attributable to equity holders decreased by RMB51.7 million or 33.4% to RMB102.9 million, as compared to the year ended 31 December 2015.
- The Board recommends the payment of a final dividend of HK$0.06 per share for the year ended 31 December 2016 to the shareholders of the Company. The final dividend is subject to the approval of shareholders of the Company at the forthcoming annual general meeting and, if approved, will be payable on or before 30 June 2017.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to take this opportunity to report the Group's performance for the year ended 31 December 2016, and at the same time provide a brief outlook for the Group's operations in 2017.

The Group is a leading manufacturer of lozenges in China. In November 2016, the Group's flagship product, Golden Throat Lozenges (OTC) was again awarded No. 1 amongst Chinese traditional medicines (Throat) in 2016 by CNMA.

The Group's products have been widely sold throughout China covering all provinces, cities and autonomous regions and exported to the United States, Canada, Russia, the European Union, Australia, Southeast Asia and Middle East. We will see continuous growth of the Group's export business in 2017. We will actively expand our presence in the overseas markets and further enhance international recognition of the Group's products.

In 2016, the Group achieved an operating income of RMB768.2 million, representing a year-on-year increase of 8.7%; gross profit of RMB554.9 million, representing a year-on-year increase of 6.3%; and profit attributable to shareholders in 2016 of RMB102.9 million, representing a year-on-year decrease of 33.4%. The decrease in net profit of the Group was mainly due to the losses incurred from Herbal Vegetable Beverages business. However, the performance of the traditional business such as Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products was still on the rise.

The Group's two production bases have passed China's new GMP accreditation. As of the end of March 2017, the topping-out of certain workshops and plants of the new R&D and production base for pharmaceutical products was completed. It is expected that civil engineering work will be completed by the end of 2017. After installation and testing of equipment and obtaining the GMP accreditation, the bottleneck problems in production have been preliminarily resolved. The Group expects that its annual manufacturing capacity of Golden Throat Lozenges (OTC) will increase by approximately 57% when compared with the current capacity.

The Group is expected to enter into a stage of rapid development in 2017. In general, by adhering to the concept of healthy living and continuing to pursue the core value of benefiting human beings, the Group will continue to optimize the marketing strategies for over-the-counter (OTC) products and increase the market share of Golden Throat Lozenges (OTC). Meanwhile, it will increase its investment in the marketing channels of supermarkets and step up its efforts in advertising and promotional campaigns of Golden Throat Lozenge Series Products, with a view to further expanding into the international market. In addition, the Group will seek to expand its market share of reserved medicines through cooperation with other market leaders to realize continuous growth of its main businesses.

The Group successfully developed three new products in 2016, amongst which the Golden Throat Vegetable Beverages Series Products have been launched in the first half of 2016. The Group has also established the strategic cooperation with Wanda Cinema nationwide in December 2016, pursuant to which the Golden Throat Vegetable Beverages Series Products will be sold in Wanda Cinema nationwide in 2017. The Herbal Vegetable Beverages business will be further developed in 2017 in accordance with the concept of maintaining prudent operations.

In 2017, the Group will endeavour to accomplish breakthroughs in both pharmaceutical products and fast-moving consumer goods with the concerted efforts of staff at all levels and we are confident in the Group's ability in fulfilling this goal.

I, on behalf of Golden Throat Holdings Group Company Limited, would like to express my sincere gratitude to all our shareholders for their care and support!

JIANG Peizhen
Chairman
30 March 2017

DEFINITIONS

Unless otherwise defined, capitalised terms in this report shall have the meanings ascribed to them below:

"AGM"	the annual general meeting of the Company.
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company, conditionally adopted by the Company on 24 June 2015, which became effective upon the Listing, and as amended from time to time.
"Audit Committee"	the audit committee of the Board, established on 13 February 2015.
"Board"	the board of Directors of the Company.
"Board Committees"	the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.
"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised from time to time) of the Cayman Islands.
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局).
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules.
"CNMA"	China Nonprescription Medicines Association (中國非處方藥物協會).
"Company", "we", "us" and "our"	Golden Throat Holdings Group Company Limited (金嗓子控股集團有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 2 September 2014.
"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. ZENG Yong, the Family Trust, Jin Jiang Global and Golden Throat International.
"Director(s)"	director(s) of the Company.
"ED"	executive Director of the Company.

"Family Trust"	an irrevocable discretionary trust settled by Mr. ZENG Yong as the settlor pursuant to a trust arrangement dated 25 February 2015 in respect of the shares in Jin Jiang Global.
"Framework Agreement"	a framework agreement on strategic cooperation dated 15 February 2016 entered into between the Company and Jointown.
"GMP"	Good Manufacturing Practice.
"Golden Throat Company" and "Guangxi Golden Throat"	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 Health Food"	廣西金嗓子保健品有限公司 (Guangxi Golden Throat Health Food Co., Ltd.), a company with limited liability incorporated in China on 23 April 2012 and a direct wholly-owned subsidiary of the Company.
"Golden Throat International"	Golden Throat International Holdings Limited, a company incorporated in the British Virgin Islands on 3 April 2012 and beneficially and wholly owned by Jin Jiang Global, and one of the Controlling Shareholders.
"Golden Throat Food Company"	廣西金嗓子食品有限公司 (Guangxi Golden Throat Food Co., Ltd.*), a company with limited liability established in China on 17 February 2016.
"Golden Throat Import & Export Company"	廣西金嗓子進出口貿易有限公司 (Guangxi Golden Throat Import & Export Trading Co., Ltd.*), a company with limited liability established in China on 31 March 2016 and a wholly-owned subsidiary of Golden Throat Company.
"Golden Throat Biological Technology"	廣西金嗓子生物科技有限公司 (Guangxi Golden Throat Biological Technology Co., Ltd.*), a company with limited liability established in China on 19 April 2016 and a wholly-owned subsidiary of Guangxi Golden Throat.
"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 Medical"	廣西金嗓子醫藥有限公司 (Guangxi Golden Throat Medical Co., Ltd.), a company with limited liability established in China on 11 November 2004 and an indirect wholly-owned subsidiary of the Company.
"Golden Throat Pharmaceutical"	廣西金嗓子藥業股份有限公司 (Guangxi Golden Throat Pharmaceutical Corporation), a company with limited liability established in China on 21 December 2006 and an indirect wholly-owned subsidiary of the Company.
"Golden Throat Herbal Vegetable Beverages Series Products"	金嗓子植物飲料系列產品, a series type of the Group's pipeline products and approved as a type of food.
"Group"	the Company and its subsidiaries.
"Haode Investment"	珠海皓德投資諮詢有限公司 (Zhuhai Haode Investment Consulting Co., Ltd.*), a company with limited liability incorporated in China on 17 November 2014, which is principally engaged in investment consultation and management, and an independent third party of the Company.
"Herbal Vegetable Beverage"	Golden Throat Herbal Vegetable Beverage (金嗓子草本植物飲料), a series of products under Golden Throat Herbal Vegetable Beverages Series Products.
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong.
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC.
"INED"	independent non-executive Director of the Company.
"IPO Proceeds"	the net proceeds from the listing of the Shares on the Stock Exchange.
"Jin Jiang Global"	Jin Jiang Global Investment Company Limited, a company incorporated in the British Virgin Islands on 23 September 2014 and its issued shares are held by Sovereign Trust International Limited as trustee for the benefit of Mr. ZENG Yong and his children and descendants, and one of the Controlling Shareholders.

"Jointown"	九州通醫藥集團股份有限公司 (Jointown Pharmaceutical Group Co., Ltd.), a company listed on the Shanghai Stock Exchange (stock code: 600998) and an independent third party of the Group.
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange, as amended from time to time.
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
"NED"	non-executive Director of the Company.
"Nomination Committee"	the nomination committee of the Board, established on 13 February 2015.
"OTC"	relating to pharmaceutical products which may, upon receiving the CFDA approval, be sold over the counter in China at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner.
"Peizhen Investment"	廣西佩珍投資諮詢有限公司 (Guangxi Peizhen Investment Consulting Co., Ltd.), a company with limited liability established in China on 30 July 2014 and controlled by Ms. JIANG Peizhen, and which is not a member of the Group.

"PRC" or "China"	the People's Republic of China, for the purpose of this report only, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.
"Prospectus"	the prospectus of the Company dated 30 June 2015 in respect of the global offering of its shares.
"Qifeng"	啟豐食品科技(北京)有限公司 (Qifeng Food Technology (Beijing) Company Limited*), a company with limited liability established in China on 30 March 2015 and an independent third party of the Company.
"Remuneration Committee"	the remuneration committee of the Board, established on 13 February 2015.
"RMB"	Renminbi, the lawful currency of the PRC.
"R&D"	research and development.
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time.
"Shareholder"	a holder of any Share(s).
"Shares"	ordinary shares in the capital of the Company with a nominal value of US$0.000025 each.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"Weikete"	廣西維科特生物技術有限公司 (Guangxi Weikete Biological Technology Co., Ltd.), a company with limited liability established in China on 7 November 2001 and indirectly controlled by Ms. JIANG Peizhen.

Unless otherwise specified, all numerical figures are rounded to one decimal place.

The English names of companies established in China are translations of their Chinese names and are included for identification purposes only.

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as of 30 March 2017. It should be read in conjunction with the audited consolidated financial statements and notes thereto of the Group for the year ended 31 December 2016.

BUSINESS REVIEW

The Group is a leading manufacturer of lozenges in China. In November 2016, the Group's flagship product, Golden Throat Lozenges (OTC) was awarded No. 1 amongst Chinese traditional medicines (Throat) in 2016 by CNMA. Currently, the Group has developed into a comprehensive modern group mainly engaging in the manufacture and sale of lozenges and other pharmaceutical and food products.

Key Products

The Group reports its revenue by three product categories, consisting of Golden Throat Lozenges (OTC), Golden Throat Lozenge Series Products and other products.

During 2016, 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 year ended 31 December 2016, the Group's sale recorded a strong revenue growth of 8.7% as compared to the corresponding period in 2015.

Golden Throat Lozenges (OTC) – over-the-counter medicine

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. Golden Throat Lozenges (OTC) was approved as over-the-counter medicine by the CFDA, as such they can be purchased by the public in pharmacies without requiring the prescription of a qualified medical professional.

As of 31 December 2016, Golden Throat Lozenges (OTC) has been exported to the United States, Canada, Russia, the European Union, Australia, South Asia and Middle East.

During the year ended 31 December 2016, the Group's sales of Golden Throat Lozenges (OTC) accounted for 87.1% of its total revenue.

Golden Throat Lozenge Series Products – Food

The Group's other key products are the Golden Throat Lozenge Series Products, which include seven products comprising of Dule Lozenges (都樂含片), sugar-free Dule Lozenges and five other sugar-free flavours of this series, namely orange (香橙), fructus momordicae (羅漢果), chrysanthemum (桑菊), American ginseng (西洋參) and hawthorn (山楂).

A major difference between Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products is that the former is approved as over-the-counter medicine, whereas the latter are approved as food products. The sugar-free series of the Golden Throat Lozenge Series Products were launched in 2013 to cater to those consumers who prefer sugar-free products and those who have intake limit of sugar.

As of 31 December 2016, Golden Throat Lozenge Series Products were exported to seven countries and regions.

During the year ended 31 December 2016, the Group's sales of Golden Throat Lozenge Series Products accounted for 7.2% of its total revenue.

Other Products

Sales of the Group's other products accounted for 5.7% of the Group's revenue for the year ended 31 December 2016. Two of the Group's other products are Yinxingye Tablet (銀杏葉片) and Herbal Vegetable Beverage. Yinxingye Tablet is mainly designed to facilitate blood circulation, remove blood stasis and dredge energy channels and was approved as a prescription medicine by the CFDA, while the main function of Herbal Vegetable Beverages is soothing voice and relieving sore throats. Golden Throat Herbal Vegetable Beverages Series Products were put into mass production and launched to market in 2016.

Research and Development

The Group's business has significantly benefited from its strong track record in R&D. Since 1994, the Group has successfully developed 31 new products for which it has obtained manufacturing permits, amongst which, eight are pharmaceutical products (including Jinyin Sanqi Capsule (金銀三七膠囊)), 21 are food products, one is a health food product and one is medical apparatus product.

The Group's R&D activities are conducted both in-house and through collaborations with external research institutions, such as hospitals, institute for drug research and other companies. As of 31 December 2016, the Group's R&D team consists of approximately 280 people.

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 intends to incur an aggregate of approximately RMB65 million on research and development activities for the next three years. For the year ended 31 December 2016, the Group has incurred RMB1.7 million on R&D activities.

Pipeline Products

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.

As of 31 December 2016, the Group's major pipeline products included a new sugar-free product with flavours (such as hawthorn (山楂)) of Golden Throat Lozenge Series Products. The Group has developed such new product as an addition to the original six products of Golden Throat Lozenge Series Products, and such new product will be launched in due course.

Sales, Marketing and Distribution

Branding

The Group believes that strong brand recognition and customer loyalty are key to the recognition of the "Golden Throat (金嗓子)" brand. The Group's principal brand, "Golden Throat (金嗓子)" was awarded with "Brand China – Huapu Award" (品牌中國－華譜獎) by Brand China Industry Union and China Chamber of International Commerce in 2011 and "CCTV China Annual Brand" (中央電視台中國年度品牌) by CCTV in 2012.

Distribution Network

The Group has established an extensive and structured nationwide sales and distribution network for its (i) over-the-counter medicines, (ii) food products and (iii) prescription medicines and medical apparatus. During the year ended 31 December 2016, substantially all of the Group's revenue was generated from sales to distributors.

As of 31 December 2016, the Group's distribution network comprised over 300 distributors which were directly engaged by it covering all the provinces, autonomous regions and municipal cities throughout China. In addition, the Group has also engaged promoters to further facilitate its product promotion and advertising, communication with its customers and monitoring of the activities of its distributors.

As mentioned above, the Group also has a presence in various overseas markets for its products, including the United States, Canada, Russia, the European Union, Australia, Southeast Asia and Middle East. The Group has sold its products to overseas markets through Golden Throat Import & Export Company and local distributors.

As disclosed in the Company's announcement dated 16 February 2016, the Company has entered into the Framework Agreement on strategic cooperation on 15 February 2016 with Jointown, based on both parties' mutual desire for joint development. Pursuant to the Framework Agreement, the Company shall grant exclusive agency rights to Jointown for the sales and distribution of the Group's certain types of products within mainland of the PRC through Jointown's pharmaceutical distribution network, but such rights shall not include Jointown's right to engage any sub-distributors outside of its distribution network. The term of the Framework Agreement is six years, commencing from 1 January 2016 till 31 December 2021.

Below is a summary of the Group's distribution network. For further details, please refer to the section headed "Business – Distribution Network and Infrastructure" in the Prospectus.

Promoters

As of 31 December 2016, the Group has entered into products promotion cooperation agreements with 11 promoters. The primary reasons for engaging the promoters in certain regions are: (i) their knowledge of local markets and substantial experience in promoting products; and (ii) their familiarity with local municipal level agents and the Group benefits from their facilitation and ongoing feedback of such local markets.

Market Review

In recent years, the PRC's nominal GDP has grown steadily. According to the National Bureau of Statistics of China, the nominal GDP of China increased from RMB34,908.1 billion in 2009 to RMB74,412.7 billion in 2016. In addition to GDP growth, China is experiencing growth in disposable income. Per capita disposable income of urban residents increased from RMB21,810 in 2011 to RMB33,616 in 2016, while per capita net income of rural residents increased from RMB6,977 in 2011 to RMB12,363 in 2016.

With the growth of China's economy and increase of people's disposable income, as well as the increasing focus on health, the pharmaceutical and lozenge market in China is expected to continue growing rapidly in the foreseeable future.

PRC consumers' health awareness has been increasing year by year which resulted in higher spending on health related products including, amongst others, health food and medicines. Consumers nowadays care more about life quality and health than before, and are getting more familiar with many brands of OTC medicines. In addition, the inconvenience and time needed for seeing doctors due to shortage of medical resources also drives consumers to treat themselves at home by purchasing OTC medicines when they encounter common ailments or chronic diseases.

Future Expansion and Upgrading Plan

For 2017, the Group will continue to strengthen its leading position in the lozenge market and continue to expand its market share in the PRC pharmaceutical and food markets.

The Group have commenced its strategic expansion into new geographic markets such as Qinghai, Jilin and Inner Mongolia through the establishment of its refined distributorship system back in 2013 and will continue both to expand into new markets and also further penetrating its existing markets through the expansion of its sales team to provide more distribution and sales support to its distributors at the pharmacy level.

To further enhance the popularity of its products and awareness of its brand and image in China, the Group will continue to maintain and promote its "Golden Throat (金嗓子)" brand with the goal of establishing it as the leading household brand recognised for effective, safe and curative lozenge products in China. The Group plans to expand and enhance its media marketing and promotion efforts, which historically have been mainly on television networks, by increasingly advertising via internet media that have broader coverage. The Group's dedicated marketing team will continue to work closely with its distributors to design and carry out effective and targeted marketing campaigns and promotional activities.

The Group also intends 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. The Group has commenced construction in December 2015. As of the end of March 2017, the construction of certain workshop and plant of new medicines production and research and development base were about to be completed. It is expected that civil engineering work will be completed by the end of 2017. After the expansion, the Group expects to have an increase in its annual manufacturing capacity of Golden Throat Lozenges (OTC) representing an increase of approximately 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.

RISK FACTORS

We depend on distributors for most of our turnover. If we fail to maintain relationships with, or monitor the distribution by, our existing distributors or expand our distribution network, and our distributors fail to promote or sell our products, our business or results of operations could be adversely affected.

Changes in consumer preferences, perception of the effectiveness of our products or demand for herbal lozenges could adversely affect our reputation, revenues and profitability, including but not limited to the factors of a change in consumers' belief that lozenges based on Chinese herbal medicines may be effective in achieving their claimed benefit or a general decrease in preferences for Chinese herbal medicines-based lozenges.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Group's revenue amounted to approximately RMB768.2 million, as compared to RMB706.9 million for the year ended 31 December 2015, representing an increase of approximately RMB61.3 million, or 8.7%. The increase is mainly attributable to the increase in sales of Golden Throat Lozenges (OTC) products, Golden Throat Lozenges Series Products and other products.

For the year ended 31 December 2016, the Group's revenue from sales of Golden Throat Lozenges (OTC) increased to RMB668.7 million, as compared to RMB649.1 million for the year ended 31 December 2015, representing an increase of approximately RMB19.6 million, or 3.0%, primarily because in the second half of 2015, the Group increased the unit price of Golden Throat Lozenges (OTC).

For the year ended 31 December 2016, the Group's revenue from sales of Golden Throat Lozenge Series Products increased to RMB55.0 million, as compared to RMB39.5 million for the year ended 31 December 2015, representing an increase of approximately RMB15.5 million, or 39.2%, primarily because the Group has strengthened its promotional efforts and the construction of distribution network for its Golden Throat Lozenge Series Products.

For the year ended 31 December 2016, the Group's revenue from sales of other products increased to RMB44.5 million, as compared to RMB18.3 million for the year ended 31 December 2015, representing an increase of approximately RMB26.2 million, or 143.2%. This was because the Group launched Herbal Vegetable Beverages in 2016, which are new products.

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

	Year ended 31 December 2016					
	Sales Volume boxes'000	**Revenue RMB'000**	**Cost RMB'000**	**Gross margin %**	**Unit price RMB**	**Unit cost RMB**
Golden Throat Lozenges (OTC)	**123,700**	**668,725**	**157,981**	**76.4**	**5.4**	**1.3**
Golden Throat Lozenge Series Products	**12,425**	**54,964**	**22,110**	**59.8**	**4.4**	**1.8**

	Year ended 31 December 2015					
	Sales Volume boxes'000	Revenue RMB'000	Cost RMB'000	Gross margin %	Unit price RMB	Unit cost RMB
Golden Throat Lozenges (OTC)	129,481	649,077	151,873	76.6	5.0	1.2
Golden Throat Lozenge Series Products	9,492	39,475	19,877	49.6	4.2	2.1

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 RMB184.8 million for the year ended 31 December 2015 to approximately RMB213.2 million for the year ended 31 December 2016, which accounted for approximately 27.8% of the Group's total revenue for the same period. The increase in the Group's cost of sales was primarily attributable to the increase in sales volumes of Golden Throat Lozenges (OTC) with iron case, which led to the increase in packaging costs.

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.

	Year ended 31 December 2016		31 December 2015 Year ended	
	RMB'000	**% of total**	RMB'000	% of total
Packaging materials	**89,794**	**42.1%**	74,236	40.2%
Raw materials	**42,642**	**20.0%**	41,265	22.3%
Labor costs	**50,755**	**23.8%**	53,460	28.9%
Depreciation	**4,308**	**2.0%**	3,954	2.1%
Commission processing fee	**3,047**	**1.4%**	–	–
Other costs	**22,685**	**10.7%**	11,903	6.5%
Total	**213,231**	**100%**	184,818	100%

Gross Profit

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

For the year ended 31 December 2016, the Group's gross profit increased to RMB554.9 million, as compared to RMB522.1 million for the year ended 31 December 2015, representing an increase of approximately RMB32.8 million, or 6.3%. The increase in the Group's gross profit was broadly in line with its revenue growth. The Group's gross profit margin decreased to 72.2% for the year ended 31 December 2016 from 73.9% for the corresponding period of 2015.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income and investment income. For the year ended 31 December 2016, the Group's other income and gains increased to RMB30.3 million, as compared to RMB27.3 million for the year ended 31 December 2015, representing an increase of approximately RMB3.0 million. The increase is mainly due to the interests generated from the corporate bonds and notes acquired by the Group for the year.

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 year ended 31 December 2016, the Group's selling and distribution expenses amounted to approximately RMB319.0 million, as compared to RMB255.4 million for the year ended 31 December 2015, representing an increase of approximately RMB63.6 million, or 24.9%. The increase was mainly due to the Group's advertising expenses in connection with the promotion of Herbal Vegetable Beverages.

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, and (vii) other miscellaneous expenses. For the year ended 31 December 2016, the Group's administrative expenses amounted to approximately RMB69.2 million, as compared to RMB78.4 million for the year ended 31 December 2015, representing a decrease of approximately RMB9.2 million, or 11.7%. The decrease was mainly due to the listing expenses incurred in connection with the Company's listing on the Stock Exchange during the year ended 31 December 2015, whereas there was no such expenses occurred in 2016.

Other Expenses

The Group's other expenses primarily consisted of (i) donations for charity purposes, (ii) bad debt provision for trade and other receivables, and (iii) exchange losses. For the year ended 31 December 2016, the Group's other expenses amounted to approximately RMB14.4 million, as compared to RMB3.1 million for the year ended 31 December 2015, representing an increase of approximately RMB11.3 million or 364.5%. The increase was mainly because the Group held a substantial amount of foreign currencies during 2016 as compared to 2015 and the exchange rate fluctuations have resulted in exchange losses.

Finance Costs

For the year ended 31 December 2016, the Group's finance costs amounted to RMB7.3 million, as compared to RMB10.1 million for the year ended 31 December 2015, representing a decrease of approximately RMB2.8 million or 27.7%. The decrease was mainly due to no discounting of bank acceptance bills recorded for 2016, whereas the interest expenses were incurred from discounting of bank acceptance bills by the Group in 2015.

Income Tax Expense

For the year ended 31 December 2016, the Group's income tax expense amounted to RMB72.4 million, as compared to RMB47.8 million for the year ended 31 December 2015, representing an increase of RMB24.6 million or 51.5%. The effective tax rate for the year ended 31 December 2016 and the corresponding period of 2015 was 41.3% and 23.6% respectively. The increase in such income tax expense and effective tax rate was mainly attributable to the fact that the Group no longer enjoys the former tax preferential policy for pre-tax deduction of advertising expenses and business promotion expenses of pharmaceutical manufacturers, which was no longer in effect since 1 January 2016.

Net Profit

The Group's net profit for the year ended 31 December 2016 was approximately RMB102.9 million, as compared to RMB154.6 million for the year ended 31 December 2015, representing a decrease of approximately RMB51.7 million or 33.4%. The decrease in net profit of the Group was mainly due to the losses incurred from Herbal Vegetable Beverages business. However, the performance of the traditional business such as Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products was still on the rise. The development of the Herbal Vegetable Beverages business will be furthered in accordance with a prudent operating concept in 2017.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As of 31 December 2016, the Group had net current assets of approximately RMB857.9 million, as compared to RMB885.8 million as of 31 December 2015. The current ratio of the Group decreased to approximately 3.0 as of 31 December 2016 from 3.8 as of 31 December 2015. The decrease in net current assets was mainly attributable to the increase in the Group's income tax payable, dividend payable and provision for expenses as of 31 December 2016.

Borrowings and the Pledge of Assets

As of 31 December 2016, the Group had aggregate interest-bearing bank borrowings of approximately RMB66.0 million, as compared to approximately RMB91.7 million as of 31 December 2015. All the bank borrowings are repayable within one year. As of 31 December 2016, the bank borrowings were made up of bank loans. The decrease in bank borrowings was mainly attributable to the relatively sufficient level of working capital of the Group for the year.

All of the Group's bank borrowings for the year ended 31 December 2016 were at fixed interest rates. For details of such borrowings, please refer to Note 22 of the Group's consolidated financial statements below.

The Group continues to manage its balance sheet and capital structure with a solid equity base, adequate working capital and credit facilities. The Group has various policies governing accounting control, as well as credit and foreign exchange risks and treasury management. The Group has also been paying close attention to asset and liability management, including liquidity risks and currency risks.

Certain of the Group's leasehold lands with an aggregate net carrying value of RMB16.7 million was pledged to secure bank loans as of 31 December 2016, as compared to RMB38.3 million as of 31 December 2015.

Certain of the Group's buildings with an aggregate net carrying value of RMB1.6 million was pledged to secure bank loans as of 31 December 2016, as compared to RMB1.7 million as of 31 December 2015.

No bills receivable of the Group were pledged to secure bank loans as of 31 December 2016, as compared to RMB1.7 million as of 31 December 2015. The decrease in the amount of bills receivable pledged was primarily due to the relatively sufficient level of working capital of the Group for the year.

Gearing Ratio

As of 31 December 2016, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to approximately 6.7% from approximately 9.5% as of 31 December 2015. The decrease was primarily attributable to the decrease in the Group's bank borrowings from RMB91.7 million as of 31 December 2015 to RMB66.0 million as of 31 December 2016 and the increase in total equity from RMB968.4 million as of 31 December 2015 to RMB986.8 million as of 31 December 2016.

Contingent Liabilities

As of 31 December 2016, the Group had no significant contingent liabilities.

Foreign Exchange Risk

The Group's transactions are mainly denominated and settled in RMB. The Group had certain amounts of deposits and available-for-sale investments in HKD and USD, amounting to HK$150.6 million and US$47.2 million as of 31 December 2016, respectively. Therefore, the Group has exposure to foreign exchange risk that arises from fluctuations in the exchange rates of HKD to RMB and USD to RMB.

Since March 2016, the Group has commenced purchasing USD-denominated corporate bonds and notes. As of 31 December 2016, the balance of corporate bonds and notes amounted to US$45.4 million.

For the year ended 31 December 2016, the Group had not used any financial instruments to hedge its foreign exchange risk.

EMPLOYEES AND EMOLUMENTS POLICY

As of 31 December 2016, the Group employed a total of 1,005 full-time employees, as compared to a total of 1,144 full-time employees as of 31 December 2015. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB65.5 million for the year ended 31 December 2016 as compared to RMB64.7 million for the corresponding period in 2015. 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

For the year ended 31 December 2016, save as disclosed below, the Group did not have any significant investments nor did it make any material acquisitions or disposal of subsidiaries, associates or joint ventures.

1. On 17 February 2016, Golden Throat Company established Golden Throat Food Company. As disclosed in the Company's announcement dated 3 June 2016, Golden Throat Company entered into the investment agreement with Qifeng and Haode Investment to increase the capital of Golden Throat Food Company on 3 June 2016. The above proposed capital increase has not been completed as of the date of this report. Pursuant to the investment agreement, Golden Throat Food Company will have a term of operation of 30 years from the date of establishment (i.e. 17 February 2016). Golden Throat Food Company is principally engaged in the development and sales of food and beverages, including Golden Throat Herbal Vegetable Beverages Series Products.

2. On 31 March 2016, Golden Throat Company established Golden Throat Import & Export Company, which has a term of operation of 20 years from the date of establishment (i.e. 31 March 2016) and a total registered capital of RMB2.1 million. Golden Throat Import & Export Company, a wholly-owned subsidiary of Golden Throat Company, is principally engaged in the import and export trading of goods. As mentioned above, the Group has engaged Golden Throat Import & Export Company to sell its products to overseas markets, and therefore it plays an important role in the Group's distribution network.

3. On 19 April 2016, Golden Throat Company established Golden Throat Biological Technology, which has a term of operation of 20 years from the date of establishment (i.e. 19 April 2016) and a total registered capital of RMB2 million. Golden Throat Biological Technology, a wholly-owned subsidiary of Golden Throat Company, is principally engaged in the research and development, processing and sales of the Herbal Vegetable Beverages concentrates. It sells the Herbal Vegetable Beverages concentrates to Golden Throat Food Company, and therefore it will play an important role in the production of Golden Throat Herbal Vegetable Beverages Series Products.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2016, the Group committed to invest approximately RMB85.8 million for the purpose of constructing a new medicines production and research and development base in Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region. Save as mentioned above, the Group currently does not have other plans for material investments or capital assets.

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.

USE OF NET PROCEEDS FROM LISTING

The IPO Proceeds (including those shares issued pursuant to the partial exercise of the over-allotment options), after deducting underwriting fees and related expenses, amounted to approximately HK$909.6 million, which are intended to be applied in the manner disclosed in the Prospectus. Details of the use of the IPO Proceeds are set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 31 December 2016, there was no change to the intended use of the IPO Proceeds as disclosed in the Prospectus.

As at 31 December 2016, the Group had utilised approximately HK$267.95 million, representing approximately 29.46% of the IPO Proceeds. Set out below is a summary of the utilisation of the IPO Proceeds:

Use of IPO Proceeds	Utilised (HK$'000)	% of IPO Proceeds
Construction in Luowei Industrial Concentration Area	6,465	0.71
Conversion of headquarters	–	–
Market expansion	164,650	18.10
Product development	2,686	0.30
Establishment of Chinese herbs processing base	–	–
Refinement and Upgrade of electronic code system	3,193	0.35
General working capital	90,960	10.00

DIRECTORS AND SENIOR MANAGEMENT

AN OVERVIEW OF DIRECTORS AND SENIOR MANAGEMENT

As at 30 March 2017, the Board of Directors of the Company consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors.

The table below sets forth certain information in respect of the Directors and our senior management as at 30 March 2017.

Name	Age	Position	Date of appointment	Relationship with other Directors or senior management
Directors				
Ms. JIANG Peizhen (江佩珍)	71	Chairman of the Board and non-executive Director	10 February 2015	Mother of Mr. ZENG Yong
Mr. ZENG Yong (曾勇)	43	Vice Chairman of the Board, executive Director and General Manager	10 February 2015	Son of Ms. JIANG Peizhen
Mr. HUANG Jianping (黃建平)	54	Executive Director, Deputy General Manager and President of Labour Union	10 February 2015	None
Mr. ZENG Kexiong (曾克雄)	52	Executive Director and Deputy General Manager	10 February 2015	None
Mr. LU Xinghong (呂興鴻)	60	Executive Director and Deputy General Manager	10 February 2015	None
Mr. HE Jinqiang (何錦強)	47	Executive Director and Deputy General Manager	10 February 2015	None
Mr. LI Hua (李驊)	45	Independent non-executive Director	10 February 2015	None
Mr. ZHU Jierong (朱頡榕)	68	Independent non-executive Director	10 February 2015	None
Mr. CHENG Yiqun (程益群)	47	Independent non-executive Director	10 February 2015	None
Senior Management				
Ms. KE Xuening (柯學寧)	60	Assistant to General Manager	January 2014	None
Ms. LI Qing (李慶)	47	Assistant to General Manager	January 2014	None
Mr. WU Dong (吳東)	48	Assistant to General Manager	February 2015	None

DIRECTORS

Non-Executive Director

Ms. JIANG Peizhen (江佩珍), aged 71, is the Chairman of the Board and a non-executive Director. Ms. JIANG was appointed as a Director on 10 February 2015 and is primarily responsible for formulating the overall development strategies and business plan of the Group. Ms. JIANG is also a director of Golden Throat Company and Golden Throat Medical. From 1956 to 1998, Ms. JIANG had been working as a staff worker, workshop director, vice president, president and party secretary of Liuzhou No. 2 Sweet Factory (柳州市糖果二廠). Ms. JIANG obtained a Diploma degree in journalism from Beijing Humanities University (北京人文大學) in Beijing, China in May 1987 and a Pharmaceutical Diploma from Guangxi School of Chinese Medicine (廣西中醫學院) (now known as Guangxi University of Chinese Medicine (廣西中醫藥大學)) in Nanning, Guangxi Zhuang Autonomous Region, China, in January 2001. Ms. JIANG is the mother of Mr. ZENG Yong. Ms. JIANG obtained the qualification certificate of senior economist conferred by the Bureau of Scientific and Technological Personnel, Guangxi Zhuang Autonomous Region (廣西壯族自治區科技幹部局) in 1992.

Executive Directors

Mr. ZENG Yong (曾勇), aged 43, is the Vice Chairman of the Board and an executive Director and General Manager. Mr. ZENG was appointed as a Director on 10 February 2015 and is primarily responsible for overseeing the management and strategic development of the Group. Mr. ZENG is also a director of Golden Throat Company and Golden Throat Pharmaceutical. Mr. ZENG joined Golden Throat Company in March 1995 and has gained over 18 years of experience in sales management. Prior to joining the Group, Mr. ZENG worked at the International Affairs Department of the Bank of Communications Guangxi Liuzhou Branch (交通銀行廣西柳州分行) from August 1994 to September 1995. From October 1995 to September 1998, Mr. ZENG also worked at the Advertising Department of the Guangxi Liuzhou Cable TV Network (廣西柳州市有線電視台). Mr. ZENG obtained a Diploma's degree in English from Guangxi Teachers Education University (廣西師範學院) in Nanning, Guangxi Zhuang Autonomous Region, China in June 1994. Mr. ZENG is the son of Ms. JIANG Peizhen.

Mr. HUANG Jianping (黃建平), aged 54, is an executive Director, the Deputy General Manager and President of Labour Union. Mr. HUANG was appointed as a Director on 10 February 2015 and is primarily responsible for providing strategic advice and guidance on the employee union related matter of the Group. Mr. HUANG is also a director of Golden Throat Company and Golden Throat Pharmaceutical. Mr. HUANG joined the Group in August 1985 and has gained over 20 years of experience in pharmaceutical manufacturing. From 1985 to 1998, Mr. HUANG worked as a staff worker, communist party vice secretary and office chief of Liuzhou No. 2 Sweet Factory (柳州市糖果二廠) and Golden Throat Company. He graduated from Guangxi Light Industry Technician College (廣西輕工學校) in sugar refinery in Nanning, Guangxi Zhuang Autonomous Region, China in July 1985. Mr. HUANG obtained the qualification certificate of assistant engineer issued by the Liuzhou Municipal Qualification Reform Office (柳州市職稱工作改革辦公室) in 1994.

Mr. ZENG Kexiong (曾克雄), aged 52, is an executive Director and Deputy General Manager. Mr. ZENG was appointed as a Director on 10 February 2015 and is primarily responsible for production, technology and quality inspection related matters of the Group. Mr. ZENG is also a director of Golden Throat Company and Golden Throat Pharmaceutical. Mr. ZENG joined the Group in August 1984 and has gained over 20 years of experience in pharmaceutical manufacturing. From 1984 to 1998, Mr. ZENG worked as a staff worker and department chief of Production and Technology Department of Liuzhou No. 2 Sweet Factory (柳州市糖果二廠) and Golden Throat Company. He graduated from Guangxi Light Industry Technician College (廣西輕工學校) in sugar refinery in Nanning, Guangxi Zhuang Autonomous Region, China in July 1984. Mr. ZENG obtained the qualification certificate of engineer conferred by the Liuzhou Municipal Leading Group of Qualification Reform (柳州市職改領導小組) in 1996.

Mr. LU Xinghong (呂興鴻), aged 60, is an executive Director and Deputy General Manager. Mr. LU was appointed as a Director on 10 February 2015 and is primarily responsible for power plants related matters of the Group. Mr. LU is also a director of Golden Throat Company and Golden Throat Pharmaceutical. He joined the Group in October 1988 and has gained over 20 years of experience in pharmaceutical manufacturing. From 1988 to 1998, Mr. LU worked as a staff worker and department chief of Power Plants Department of Liuzhou No. 2 Sweet Factory (柳州市糖果二廠) and Golden Throat Company. He obtained a Bachelor's degree in mechanical maintenance from Guangxi University (廣西大學) in Nanning, Guangxi Zhuang Autonomous Region, China in August 1982. Mr. LU obtained the qualification certificate of senior engineer issued by the Personnel Department of Guangxi Zhuang Autonomous Region (廣西壯族自治區人事廳) in 1996.

Mr. HE Jinqiang (何錦強), aged 47, is an executive Director and Deputy General Manager. Mr. HE was appointed as a Director on 10 February 2015 and is primarily responsible for labour, personnel and warehouse related matters of the Group. Mr. HE is also a director of Golden Throat Company, Golden Throat Health Food and Golden Throat Pharmaceutical. Mr. HE joined the Group in August 1991 and has gained over 20 years of experience in pharmaceutical manufacturing. From 1991 to 1998, Mr. HE worked as a staff worker of Liuzhou No. 2 Sweet Factory (柳州市糖果二廠) and Golden Throat Company. He obtained a Bachelor's degree in food science from Guangxi University (廣西大學) in Nanning, Guangxi Zhuang Autonomous Region, China in July 1991. Mr. HE obtained the qualification certificate of engineer conferred by the Liuzhou Municipal Leading Group of Qualification Reform (柳州市職改領導小組) in 1996.

Independent Non-Executive Directors

Mr. LI Hua (李驊), aged 45, is an independent non-executive Director. Mr. LI was appointed as a Director on 10 February 2015 and is primarily responsible for supervising and providing independent judgment to the Board. Mr. LI has over 20 years experience in the auditing and accounting in various industries. Since 2005, Mr. LI has been acting as the chairman of Guangxi Tianhua Certified Public Accountants Co., Ltd. (廣西天華會計師事務所有限責任公司). Prior to this, Mr. LI served as the chief account of Guangxi Zhengze Certified Public Accountants (廣西正則會計師事務所) from 1999 to 2004. Mr. LI also currently serves as an independent director of Liuzhou Chemical Industry Co., Ltd (柳州化工股份有限公司) (Shanghai Stock Exchange, Stock Code: 600423) and Liuzhou Iron & Steel Co., Ltd. (柳州鋼鐵股份有限公司) (Shanghai Stock Exchange, Stock Code: 601003), standing director of Guangxi Accounting Society (廣西會計學會), vice president of Liuzhou Accounting Society (柳州會計學會) and chairman of professional advisory committee of Guangxi Institute of Certified Public Accountants (廣西註冊會計師協會專業諮詢委員會). Mr. LI is a Chinese certified public accountant recognised by the Certified Accountants Examination Committee of the Ministry of Finance in May 1995, certified public valuer recognised by the Ministry of Finance in April 1997 and certified tax agent jointly recognised by the Ministry of Human Resources and Social Security of the PRC and the SAT in 1999. Mr. LI obtained a Bachelor's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, China in July 1993.

Mr. ZHU Jierong (朱頡榕), aged 68, is an independent non-executive Director. Mr. ZHU was appointed as a Director on 10 February 2015 and is primarily responsible for supervising and providing independent judgment to the Board. Mr. ZHU has over 20 years experience in engineering and management. From 2002 to 2012, Mr. ZHU has been acting as deputy general manager of Zhejiang Shibao Company Limited (浙江世寶股份有限公司) (Stock Code: 1057) and has been acting as a director thereof since June 2004. Prior to this, Mr. ZHU worked as deputy technical director and deputy chief engineer in automotive steering plant of Zhejiang Wanda Group Corporation (浙江萬達集團) and other entities from 1990 to 2002. Mr. ZHU is a fellow member of the Hong Kong Institute of Directors since October 2014. Mr. ZHU graduated from Management Institute of Automotive Technology (汽車工業管理幹部學院) (now known as Hubei University of Automotive Technology (湖北汽車工業學院)) in Wuhan, Hubei Province, China in August 1987.

Mr. CHENG Yiqun (程益群), aged 47, is an independent non-executive Director. Mr. CHENG was appointed as a Director on 10 February 2015 and is primarily responsible for supervising and providing independent judgment to the Board. Mr. CHENG has over 14 years experience in providing legal services. Mr. CHENG joined Commerce & Finance Law Offices in 2001 and has been a partner since 2009. During the above period, Mr. CHENG also served as an independent director of Anshan Heavy Duty Mining Machinery Co., Ltd. (鞍山重型礦山機器股份有限公司) (Shenzhen Stock Exchange, Stock Code: 002667) from August 2010 to December 2013. Mr. CHENG is a PRC practising lawyer recognised by the Ministry of Justice of the PRC in August 2009. Mr. CHENG obtained a Bachelor's degree in laws from Wuhan University in Wuhan, Hubei Province, China in July 1997.

SENIOR MANAGEMENT

Ms. KE Xuening (柯學寧), aged 60, is the Assistant to General Manager and the Head of our Finance Department of the Group. She was appointed as the Assistant to General Manager and the Head of our Finance Department in January 2014 and February 2001, respectively, and is primarily responsible for the audit, accounting and financial management related matters of the Group. Ms. KE joined the Group in August 1976 and has gained over 35 years of experience in financial management. From August 1976 to 2001, Ms. KE worked as a staff worker of Liuzhou No. 2 Sweet Factory (柳州市糖果二廠) and an internal auditor of Golden Throat Company. Ms. KE was certified as an auditor jointly by the National Audit Office of the PRC and the Ministry of Human Resources and Social Security of the PRC in November 1992. She obtained a Diploma's degree in accounting from Guilin College of Electric Industry (桂林電子工業學院) (now known as Guilin University of Electrical Technology (桂林電子科技大學)) in Guilin, Guangxi Zhuang Autonomous Region, China in 2008.

Ms. LI Qing (李慶), aged 47, is the Assistant to General Manager and Deputy Head of our Manufacturing Technology Department of the Group. She was appointed as the Assistant to General Manager and Deputy Head of our Manufacturing Technology Department in January 2014 and April 2010, respectively, and is primarily responsible for the development and manufacturing related matters of the Group. Ms. LI joined the Group in August 1991 and has gained over 20 years of experience in pharmaceutical manufacturing. From 1991 to 1998, Ms. LI worked as a technology management staff in Liuzhou No. 2 Sweet Factory (柳州市糖果二廠) and Golden Throat Company. She obtained a Bachelor's degree in food science from Chengdu University of Science and Technology (成都科技大學) (now a part of Sichuan University (四川大學)) in Chengdu, Sichuan Province, China in 1991, and a professional part-time Diploma's degree in pharmacy from Guangxi School of Chinese Medicine (廣西中醫學院) (now known as Guangxi University of Chinese Medicine (廣西中醫藥大學)) in Nanning, Guangxi Zhuang Autonomous Region, China, in 2001. Ms. LI obtained the qualification certificate of engineer conferred by the Liuzhou Municipal Leading Group of Qualification Reform (柳州市職改領導小組) in 1996 and obtained the qualification certificate of licensed pharmacist conferred by the MOH in 2002.

Mr. WU Dong (吳東), aged 48, is the Assistant to General Manager. He was appointed as the Assistant to the General Manager in February 2015 and is primarily responsible for promotion related matters of the Group. Mr. WU joined the Group in July 1990 and has gained over 20 years of experience in pharmaceutical manufacturing. From 1990 to 1998, Mr. WU worked as a staff worker of Liuzhou No. 2 Sweet Factory (柳州市糖果二廠) and from 1998 to 2014, Mr. WU worked as the first deputy director of the General Manager Office of Golden Throat Company. He obtained a Diploma's degree in administrative management from Guangxi School of Industry (廣西工學院) (now known as Guangxi University of Science and Technology (廣西科技大學)) in Liuzhou, Guangxi Zhuang Autonomous Region, China in 1990. Mr. WU obtained the qualification certificate of assistant professional for political work (助理政工師) conferred by the Office of the Leading Group of Qualification Conference of Political Work in Enterprises in Guangxi Zhuang Autonomous Region (廣西壯族自治區企業思想政治工作人員專業職務評定工作領導小組辦公室) in 1999.

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacture and sale of pharmaceutical, healthcare food and other products. There were no significant changes in the nature of the principal activities of the Group during the year ended 31 December 2016.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 79 of this report.

FINAL DIVIDENDS

The Board recommends the payment of a final dividend of HK$0.06 per share for the year ended 31 December 2016 to the shareholders of the Company. The final dividend is subject to the approval of shareholders of the Company at the forthcoming annual general meeting on 8 June 2017 and, if approved, will be payable on or before 30 June 2017.

CLOSURE OF REGISTER OF SHAREHOLDERS

The annual general meeting of the Company is scheduled to be held on 8 June 2017. For members the entitlement to attend and vote at the annual general meeting, the transfer books and register of members of the Company will be closed from 2 June 2017 to 8 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 1 June 2017 the business day before the first day of closure of the register of members.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 14 June 2017, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 13 June 2017, the business day before the closure of the register of members.

BUSINESS REVIEW

A review of the Group's business during the year ended 31 December 2016 and a discussion on the Group's future business development, particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2016, and possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 6 to 8 and Management Discussion and Analysis on pages 14 to 27 of this report.

The financial risk management objectives and policies of the Group are shown in note 33 to the financial statements of this report.

An analysis of the Group's performance during the year ended 31 December 2016 using financial key performance indicators is provided in the Financial Highlights on page 5, Chairman's Statement on pages 6 to 8, and Management Discussion and Analysis on pages 14 to 27 of this report.

In addition, discussions on the Group's environmental policies, compliance with relevant laws and regulations which have a significant impact on the Group and relationships with its key stakeholders are contained in the Corporate Governance Report on pages 65 and 66 of this report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 148 of this report. That summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

As at 31 December 2016, there was no change in the intended use of the IPO Proceeds as disclosed in the Prospectus.

As at 31 December 2016, the Group had utilised approximately HK$267.95 million, representing approximately 29.46% of the IPO Proceeds. Details of the use of net proceeds from listing during the year ended 31 December 2016 are set out on page 27 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue from sales to the Group's five largest customers accounted for approximately 22.2% of the Group's total revenue from sales for the year ended 31 December 2016 and revenue from sales to the Group's largest customer amounted to 6.1% of the Group's total revenue from sales for the year.

Purchases from the Group's five largest suppliers accounted for approximately 65.0% of the Group's total purchase for the year ended 31 December 2016 and purchases from the Group's largest supplier amounted to 23.4% of the Group's total purchase for the year.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 13 to the financial statements in this report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2016 are set out in note 25 to the financial statements in this report.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in note 34 to the financial statements and the consolidated statement of changes in equity on page 83 of this report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately RMB675.4 million (as at 31 December 2015: RMB670.6 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2016 are set out in note 22 to the financial statements in this report.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the article 164 of the Articles of Association and subject to the all applicable statues, rules and regulations, every Director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution or holding of his/her office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

For details about insurance cover for the Directors, please refer to the Corporate Governance Report of this report.

DIRECTORS

The Directors for the year ended 31 December 2016 and up to the date of this report were:

Executive Directors:

Mr. ZENG Yong *(vice chairman and general manager)*	*(appointed on 10 February 2015)*
Mr. HUANG Jianping	*(appointed on 10 February 2015)*
Mr. ZENG Kexiong	*(appointed on 10 February 2015)*
Mr. LU Xinghong	*(appointed on 10 February 2015)*
Mr. HE Jinqiang	*(appointed on 10 February 2015)*

Non-executive Director:

Ms. JIANG Peizhen *(chairman)*	*(appointed on 10 February 2015)*

Independent non-executive Directors:

Mr. LI Hua	*(appointed on 10 February 2015)*
Mr. ZHU Jierong	*(appointed on 10 February 2015)*
Mr. CHENG Yiqun	*(appointed on 10 February 2015)*

In accordance with article 84 of the Articles of Association, every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years and shall be eligible for re-election.

Ms. JIANG Peizhen, Mr. ZENG Yong, Mr. HUANG Jianping, Mr. ZENG Kexiong, Mr. LU Xinghong, Mr. HE Jinqiang, Mr. LI Hua, Mr. ZHU Jierong and Mr. CHENG Yiqun have retired at the last annual general meeting of the Company in accordance with article 84 of the Articles of Association and were re-elected as the Directors by the Shareholders.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 28 to 32 of this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from 10 February 2015, which may be terminated in accordance with the respective terms of the appointment letters.

None of the Directors has or is proposed to enter into any service contract that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" below, no Director nor any entity connected with the Director had any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended 31 December 2016.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

SHARE OPTION SCHEME

During the year ended 31 December 2016 and up to the date of this report, the Group has no share option scheme.

EMOLUMENT POLICY

The Remuneration Committee was set up to develop the Company's emolument policy and structure for remuneration of the Directors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 8 and 9 to the financial statements in this report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the section headed "Directors and Senior Management" in this report, for the year ended 31 December 2016, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules.

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

As at 31 December 2016, 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/Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares
Mr. ZENG Yong[3]	Founder of a discretionary trust	511,903,200	
	Beneficial owner	4,050,500	
		516,013,700	69.79%
Ms. JIANG Peizhen[4]	Interest through controlled corporation	58,937,400	7.97%
Mr. HUANG Jianping[5]	Beneficiary of a trust	17,100,000	2.31%
Mr. ZENG Kexiong[6]	Beneficiary of a trust	17,100,000	2.31%
Mr. LU Xinghong[7]	Beneficiary of a trust	17,100,000	2.31%
Mr. HE Jinqiang[8]	Beneficiary of a trust	17,100,000	2.31%

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 739,302,000 Shares in issue as at 31 December 2016.

(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 453,025,800 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 7.97% 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. Mr. ZENG Yong also holds 4,050,500 Shares, as a result, Mr. ZENG is deemed to be interested in all the 516,013,700 Shares.

(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 58,937,400 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.

(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 at 31 December 2016, 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 in 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 year ended 31 December 2016.

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

As at 31 December 2016, 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 39 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/ Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares
Family Trust[(4)]	Interest of controlled corporation	453,025,800	61.28%
Sovereign Trust International Limited[(4)]	Trustee of a discretionary trust	453,025,800	61.28%
Jin Jiang Global[(4)]	Interest of controlled corporation	453,025,800	61.28%
Golden Throat International	Beneficial owner	453,025,800	61.28%
Jin Chen Employee Holdings Limited[(5)]	Trustee of a discretionary trust	58,937,400	7.97%
Employees Trust	Interest of controlled corporation	41,837,400	5.66%
Jin Chen Global	Beneficial owner	41,837,400	5.66%

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 739,302,000 Shares in issue as at 31 December 2016.

(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 453,025,800 Shares held by Golden Throat International, which represents 61.28% of the issued share capital of the Company.

(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, 58,937,400 Shares of the Company. As a result, Jin Chen Employee Holdings Limited is deemed to be interested in 7.97% of the issued share capital of the Company.

Save as disclosed above, as at 31 December 2016, 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 39 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As of 31 December 2016, the summary of a total of 9,881,000 Shares repurchased by the Company on the Stock Exchange is as follows:

Month	Number of shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Total consideration paid HK$
October 2016	3,480,000	4.38	3.92	14,285,380
November 2016	6,401,000	4.15	4.02	26,299,690
	9,881,000			40,585,070

The total of 9,881,000 Shares were repurchased and cancelled during the year ended 31 December 2016, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased and cancelled Shares. The premium and related expenses paid on the repurchase of the 9,881,000 Shares of HK$40,585,070 were charged to the share premium account.

The Directors were of the view that the then trading price of the Shares did not reflect their intrinsic value and the repurchase of Shares benefited the Company and the Shareholders as a whole.

Save as disclosed herein, none of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

DIRECTOR'S AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESS

A non-competition agreement dated 24 June 2015 (the "Non-competition Agreement") was entered into between the Company and the Controlling Shareholders.

Under the Non-competition Agreement, the Controlling Shareholders have undertaken to the Company that, they will not, and will procure any of their associates not to, engage or participate in whatever manner in any business that competes or may compete directly or indirectly with the Group's current or future core businesses subject to certain exceptions. Details of the Non-competition Agreement were contained in the Prospectus.

The Controlling Shareholders have confirmed to the Company their compliance with the Non-Competition Agreement during the year ended 31 December 2016 for disclosure in this report.

The independent non-executive Directors have reviewed the Non-Competition Agreement and assessed whether the Controlling Shareholders have abided by the Non-Competition Agreement. The independent non-executive Directors confirmed that the Controlling Shareholder have not been in breach of the Non-Competition Agreement during the year ended 31 December 2016.

Save as described above, during the year ended 31 December 2016, none of the Directors or their respective associates had engaged in or had any interest in any business, other than the Group, which competes or is likely to compete with the businesses of the Group and which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the transactions described below were entered into between the Company and its connected persons (as defined in the Listing Rules).

Under the Listing Rules, the following persons and entities, amongst others, will be regarded as connected persons of the Company:

Ms. JIANG Peizhen

Ms. JIANG Peizhen is a non-executive Director of the Company. Each of Ms. JIANG Peizhen and her associates therefore constitutes a connected person of the Company under the Listing Rules.

Guangxi Weikete Biological Technology Co., LTD.

Weikete is an associate of Ms. JIANG Peizhen. Ms. JIANG Peizhen holds 51.2% interest in Liuzhou Jinqing Equity Investment Centre (LLP) and 51.0% interest in Liuzhou Jingui Equity Investment Centre (LLP), which in turn in aggregate hold 95.6% equity interest in Weikete. Weikete therefore constitutes a connected person of the Company under the Listing Rules.

Guangxi Peizhen Investment Consulting Co., Ltd.

Peizhen Investment is an associate of Ms. JIANG Peizhen. Ms. JIANG Peizhen holds 70% and her daughter, Ms. ZENG Jun (曾軍), holds 30% equity interest in Peizhen Investment. Peizhen Investment therefore constitutes a connected person of the Company under the Listing Rules.

As disclosed in the Prospectus, the Stock Exchange has granted a waiver to the Company from strict compliance with the requirements under Chapter 14A of the Listing Rules which would otherwise apply to the Company's non-exempt continuing connected transactions between the Company and Weikete.

The Company makes the disclosures below in accordance with Rule 14A.71 of the Listing Rules.

Set out below is a summary of the continuing connected transactions between the Group and the connected persons of the Company and the actual transaction amount incurred in 2016:

Item	Transaction		Annual Cap (RMB thousand) for the year ended 31 December 2016 (Note 1)	Actual transaction amount (RMB thousand) for the year ended 31 December 2016 (Note 1)
A.	**Continuing Connected Transaction with Weikete**			
	1	Sales of raw materials from Weikete to the Group	5,603 (Note 2)	5,542
B.	**Continuing Connected Transaction with Peizhen Investment**			
	2	Licensing of trademarks from Peizhen Investment to the Group (Note 3)	N/A	N/A
C.	**Continuing Connected Transaction with Ms. JIANG Peizhen**			
	3	Licensing of portrait rights from Ms. JIANG Peizhen to the Group (Note 3)	N/A	N/A

Notes:

(1) All the figures in the table are rounded up to the nearest RMB thousand and include tax.

(2) As explained in the Prospectus, the annual cap for the year ending 31 December 2016 (i.e. RMB5,603,000) is estimated on a gross basis.

(3) As explained in the Prospectus, each of the percentage ratios (other than the profits ratio) for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 is estimated to be less than 0.1%.Therefore, under Rule 14A.33(3) of the Listing Rules, the transaction is exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Procurement of raw materials from Weikete

Description of Transactions and Principal Terms

The Company and Weikete entered into a framework agreement dated 24 June 2015, under which Weikete agrees to provide raw materials, namely isomalt ("Isomalt"), isomaltulose syrup ("Syrup", together with Isomalt as "Sugar Substitute Raw Materials") to the Group (the "Procurement Framework Agreement").

Pursuant to the Procurement Framework Agreement, the Company and/or any of its subsidiaries and Weikete will enter into a written agreement in respect of each individual connected transaction between them in relation to the procurement of Sugar Substitute Raw Materials.

Under the Procurement Framework Agreement, Weikete has undertaken that:

(A) it will not provide Sugar Substitute Raw Materials to any independent third party unless it has satisfied the Group's needs for Sugar Substitute Raw Materials;

(B) if it cannot satisfy the Group's needs for Sugar Substitute Raw Materials or if independent third parties can offer terms more favourable than those offered by it, the Group is entitled to obtain Sugar Substitute Raw Materials from independent third parties;

(C) it is entitled to provide Sugar Substitute Raw Materials to independent third parties provided that this will not affect its supply of Sugar Substitute Raw Materials to the Group;

(D) it will not, and will procure its subsidiaries (if applicable) not to, provide Sugar Substitute Raw Materials to the Group on terms which are less favourable than those offered to independent third parties; and

(E) the Procurement Framework Agreement will not affect the Group's right to choose its counterparty for transactions or enter into transactions with third parties.

The Directors believe that it is in the Group's interests to procure the Sugar Substitute Raw Materials from Weikete, one of few manufacturers of Sugar Substitute Raw Materials in China, on terms acceptable to it for the Group's lozenges production and confirm that the transactions contemplated under the above written agreements will be conducted in the ordinary course of business and on normal commercial terms after arm's length negotiation.

Price Determination

Isomalt

The parties have agreed for the sale and purchase of Isomalt at a unit price of the lower of RMB23.00 per kg or price payable to independent third parties by the Group from time to time. The price has been determined by comparing the price offered by Weikete with those offered to the Group by two other independent third parties for the same type of raw materials (such as Isomalt) in the same quantity in the ordinary and usual course of business as follows:

(A) Guangzhou Weizheng Food Co., Ltd.（廣州味正食品有限公司）supplies Isomalt at RMB26.0 per kg; and

(B) Guangzhou Bingcheng Trading Co., Ltd.（廣州市炳誠貿易有限公司）supplies Isomalt at RMB24.0-25.5 per kg.

Syrup

The parties have agreed for the sale and purchase of the Syrup to be priced at cost. Such cost is based on the lower of the actual cost and reasonable cost for providing the Syrup (including but not limited to cost of raw materials and any processing costs). Weikete has confirmed to the Group that it does not supply Syrup to other parties at more favourable terms.

The above pricing policies, together with the undertakings provided by Weikete under the Procurement Framework Agreement referred to above, ensure that the pricing terms offered by Weikete are fair and reasonable and no less favourable than those offered by or to independent third parties.

Term and Termination

The effective period of the Procurement Framework Agreement is for a term of three years, which is deemed to have commenced on 1 January 2015 and ending 31 December 2017. The Procurement Framework Agreement can be terminated if the connected transactions under the Procurement Framework Agreement cannot comply with the requirements for connected transactions under the Listing Rules. Upon expiry of the term, the Company has the option to renew the term for another three years by signing a new or supplemental procurement framework agreement, which must be on terms no less favourable than the current terms.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademarks Licensing Agreement

Description of Transaction and Principal Terms

Peizhen Investment, the Company and Golden Throat Company entered into a trademark licensing agreement on 24 June 2015 (the "Trademark Licensing Agreement").

Peizhen Investment has agreed to license to the Group the right to use the Well-known Trademark and its related trademarks ("Licensed Trademarks") on an exclusive basis for free.

The Group is entitled to transfer or sub-lease the Licensed Trademarks to any third party, provided that it provides 15 days' written notice to Peizhen Investment. The Group has undertaken to use the Licensed Trademarks within the scope specified.

Peizhen Investment has undertaken that:

(A) it will be responsible for the timely renewal and payment of fees for maintaining effective registration of the Licensed Trademarks;

(B) it will not use the Licensed Trademarks in any manner to engage or participate in any business which competes or will potentially compete with the business of the Group;

(C) it will not license any of the Licensed Trademarks to any third party;

(D) it will not transfer the rights to use the Licensed Trademarks to any third party without the Group's consent; and

(E) it will not create any charge against the rights to use the Licensed Trademarks for the purpose of securing any loan or providing any guarantee for the benefit of itself or any third party.

Furthermore, all parties have undertaken that they will not do anything that will affect the goodwill or reputation of the Licensed Trademarks or cause material adverse effect on the Group's business.

Consideration

Nil consideration is payable under the Trademark Licensing Agreement.

Term and Termination

The Trademark Licensing Agreement will become effective upon signing, but the term of the Trademark Licensing Agreement is deemed to have commenced on 1 November 2014 and will remain effective for a term of 50 years (subject to the relevant Licensed Trademark's effective period of registration (including the effective period as extended by renewal of registration)). Every time upon expiry of the term, provided that the Group does not object to this, the term may be automatically renewed for a further period of 50 years on terms no less favourable than the current terms. No party can unilaterally terminate the Trademark Licensing Agreement without all parties' consent.

The Company considers that a term exceeding three years is required for the Trademark Licensing Agreement as the Licensed Trademarks form an intricate part of the Group's daily business and it is normal business practice for contracts of this type to be of such duration.

Ms. JIANG Peizhen's Portrait Licensing Agreement

Description of Transaction and Principal Terms

Ms. JIANG Peizhen, the Company and Golden Throat Company entered into a portrait licensing agreement on 24 June 2015 (the "Portrait Licensing Agreement"), under which Ms. JIANG Peizhen has agreed to grant the Group the right to use Ms. JIANG Peizhen's portrait (the "Jiang's Portrait") on an exclusive basis for free on its products.

The Group is entitled to use the Jiang's Portrait at any time within the term of authorisation and for any business purpose (profit or non-profit) without the need to notify Ms. JIANG Peizhen or obtain Ms. JIANG Peizhen's consent. Moreover, the Company or any other member of the Group is entitled to register a trademark based on the Jiang's Portrait and all rights under such trademark belong to the Company or any other member of the Group.

Ms. JIANG Peizhen has agreed that she and her lawful heirs or successors cannot interfere with or prevent the use of the Jiang's Portrait by the Company or any other member of the Group and cannot at any time or by any means enforce any rights or demand any financial compensation from the Company or any other member of the Group under the Portrait Licensing Agreement.

Moreover, Ms. JIANG Peizhen has undertaken (i) not to use the Jiang's Portrait to conduct any business which is or will be in competition with the Group's business and (ii) not to authorise or transfer the right to use the Jiang's Portrait to any third party.

Consideration

Nil consideration is payable under the Portrait Licensing Agreement.

Term and Termination

The Portrait Licensing Agreement will become effective upon signing, but the term of the Portrait Licensing Agreement is deemed to have commenced on 1 November 2014 and will remain effective for a term of 50 years. Every time upon expiry of the terms, provided that the Group does not object to this, the term may be automatically renewed for a further period of 50 years on terms no less favourable than the current terms. No party (including their lawful heirs or successors) can unilaterally terminate the Portrait Licensing Agreement without all parties' consent.

The Company considers that a term exceeding three years is required for the Portrait Licensing Agreement as the Jiang's Portrait will form an intricate part of the Group's daily business and it is normal business practice for contracts of this type to be of such duration.

Other than Ms. JIANG Peizhen, who is also the indirect controlling shareholder of Weikete and Peizhen Investment, none of the Directors has a material interest in the aforementioned continuing connected transactions.

The Company's Independent non-executive Directors have reviewed the aforementioned continuing connected transactions and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) in accordance with the terms of the agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed by the Company on pages 44 to 50 of this report in accordance with Rule 14A.56 of the Listing Rules. A copy of such letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

During the year, the Group entered into certain transactions with parties regarded as related parties under the applicable accounting standards. A summary of the related party transactions entered into by the Group during the year ended 31 December 2016 is contained in Note 30(a) to the financial statements of this report. The transaction summarized in item (ii) of such Note 30(a) falls under the definition of "continuing connected transaction" under the Listing Rules.

The Company has complied with the disclosure requirements, to the extent they are not exempted or waived by the Stock Exchange, in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2016.

CHARITABLE DONATIONS

During the year ended 31 December 2016, the Group made charitable and other donations in an amount of RMB165,000 (2015: RMB120,000).

POST BALANCE SHEET EVENTS

The Directors are aware that there is no occurrence of events that are material to the Group's business after the reporting period.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and external auditor of the Company the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2016.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to all Directors, the Company confirms that all Directors complied with the required standard set out in the Model Code during the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices.

Information on the corporate governance practices adopted by the Company and details of the compliance by the Company with the CG Code are set out in the Corporate Governance Report on pages 53 to 66 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. Based on the information that is publicly available to the Company and to the knowledge of the Directors at the date of this report, there was a sufficient prescribed public float of the issued share of the Company throughout the year ended 31 December 2016 and as at the date of this report.

AUDITOR

Ernst & Young has been appointed as auditor of the Company for the year ended 31 December 2016. Since the listing date (i.e. 15 July 2015) of the Company and up to now, there is no change of the auditor of the Company.

Ernst & Young shall retire in the AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the AGM.

PROFESSIONAL TAX ADVICE RECOMMENDED

If any shareholder is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, it is advised to consult an expert.

On behalf of the Board
JIANG Peizhen
Chairman

Guangxi, the PRC
30 March 2017

CORPORATE GOVERNANCE PRACTICES

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 Company has adopted the CG Code as its own code of corporate governance. Except as disclosed in the section headed "Directors' Liability Insurance" in this report, the Company has been in compliance with the applicable code provisions of the CG Code throughout the year ended 31 December 2016. The key corporate governance principles and practices of the Company are outlined later in this report.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

Board Composition

As at the date of this report, the Board comprises nine members, consisting of five executive Directors, one non-executive Director and three independent non-executive Directors as set out below:

Executive Directors:

Mr. ZENG Yong *(vice chairman and general manager)*
Mr. HUANG Jianping
Mr. ZENG Kexiong
Mr. LU Xinghong
Mr. HE Jinqiang

Non-executive Director:

Ms. JIANG Peizhen *(chairman)*

Independent non-executive Directors:

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

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this report.

As of the date of this report, the Company has been in compliance with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications of accounting or related financial management expertise.

The Company also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Ms. JIANG Peizhen, a non-executive Director, is the mother of Mr. ZENG Yong, an executive Director. Save as disclosed above, there are no financial, business, familial or other material relationships among other members of the Board.

With regards to the code provision of the CG Code requiring directors to disclose to the Company at the time of appointment and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved (the "Commitments"), the Directors have disclosed their Commitments to the Company at the time of their appointments and agreed to disclose their Commitments to the Company in a timely manner.

Induction and Continuous Professional Development

The Directors were provided with the relevant training to ensure that they have a proper understanding of the business and operations of the Company and that they are fully aware of their responsibilities and obligations as a Director of a listed company as well as the compliance practice under the Listing Rules.

For the year ended 31 December 2016, the attendance record of professional training received by the Directors is as follows:

Director	Date of attendance of directors' training
Ms. JIANG Peizhen	16 January 2016
Mr. ZENG Yong	16 January 2016
Mr. HUANG Jianping	16 January 2016
Mr. ZENG Kexiong	16 January 2016
Mr. LU Xinghong	16 January 2016
Mr. HE Jinqiang	16 January 2016
Mr. LI Hua	13 February 2016
Mr. ZHU Jierong	13 February 2016
Mr. CHENG Yiqun	13 February 2016

Through the Directors' training, each of the Directors has enhanced their knowledge on the Listing Rules, conduct of the Directors and the relevant business of listed companies.

Chairman and General Manager

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

The chairman of the Board and the general manager of the Company are currently two separate positions held by Ms. JIANG Peizhen and Mr. ZENG Yong respectively with distinct responsibilities. The chairman of the Board is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Company, to ensure adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure the issues raised at Board meetings are explained appropriately. The general manager of the Company is responsible for the management of the business of the Company and implementation of the policies, business objectives and plans set by the Board and is accountable to the Board for the overall operation of the Company.

Non-executive Directors – Term of Appointment

None of the non-executive Directors is appointed for a specific term of longer than three years.

Directors' Service Contracts

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from 10 February 2015 and may be terminated in accordance with the respective terms of the appointment letters.

None of the Directors has or is proposed to enter into any service contract that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

None of the Directors has or is proposed to enter into a service contract with the Group which is for a duration which may exceed three years or which requires the Company to, in order to terminate such contract, give a notice period in excess of one year or pay or make other payments equivalent to more than one year's emoluments.

The rules and procedures governing the appointment, retirement, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board structure, size and composition and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

Nomination, appointment, retirement and re-election

In accordance with article 84 of the Articles of Association, every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years and shall be eligible for re-election. In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the next following annual general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Meetings

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and include matters to be discussed in the agenda for regular board meetings.

For other Board and Board Committees meetings, reasonable notice will generally be given by the Company. The agenda and accompanying board papers are dispatched to the Directors or Board Committees members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or Board Committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and Board Committees meetings are/will be recorded in sufficient detail to include the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors and Board Committees members. Draft minutes of each Board meeting and Board Committees meeting are/will be sent to the Directors and Board Committees members for comments within a reasonable time after the date on which the meeting is held.

The Comapny held three Board meetings and one annual general meeting during the year ended 31 December 2016 and the attendance of the Directors at these meetings is set out in the table below:

Name of Director	Category	AGM Attended/Eligible to Attend	Board Meeting Attended/Eligible to Attend
Ms. JIANG Peizhen	NED	1/1	3/3
Mr. ZENG Yong	ED	1/1	3/3
Mr. HUANG Jianping	ED	1/1	3/3
Mr. ZENG Kexiong	ED	1/1	3/3
Mr. LU Xinghong	ED	1/1	3/3
Mr. HE Jinqiang	ED	1/1	3/3
Mr. LI Hua	INED	1/1	3/3
Mr. ZHU Jierong	INED	1/1	3/3
Mr. CHENG Yiqun	INED	1/1	3/3

The Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the executive Directors present.

During the year ended 31 December 2016, the Company convened one annual general meeting. All members of the Board, including Ms. JIANG Peizhen (non-executive Director), Mr. ZENG Yong, Mr. HUANG Jianping, Mr. ZENG Kexiong, Mr. LU Xinghong and Mr. HE Jinqiang (all being executive Directors), and Mr. LI Hua, Mr. ZHU Jierong and Mr. CHENG Yiqun (all being independent non-executive Directors), have attended this annual general meeting. The AGM was held at Room 1, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on 26 May 2016 at 10:00 a.m.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry to all Directors, the Company confirms that all Directors complied with the required standard set out in the Model Code during the year ended 31 December 2016.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management of the Company. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management of the Company.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors which include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

As at the date of this report, the Board, through the Audit Committee executed the corporate governance function and had reviewed this corporate governance report.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee comprises three members, namely Ms. JIANG Peizhen (NED), Mr. ZHU Jierong (INED) and Mr. CHENG Yiqun (INED), the majority of whom are independent non-executive Directors. Ms. JIANG Peizhen has been appointed as the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include the following (without limitation):

– reviewing the structure, size and composition of the Board and make recommendations regarding any proposed changes;

– reviewing the board diversity policy (the "Board Diversity Policy") of the Company regularly (including any measurable objectives that the Board has set for implementing the Board Diversity Policy and the progress on achieving those objectives);

– identifying, nominating and recommending qualified candidates for appointment as directors;

– assessing the independence of independent non-executive Directors;

– making recommendations to the Board on the appointment or re-appointment of and succession planning for Directors; and

– reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2016, the Nomination Committee convened one committee meeting. The Nomination Committee had assessed the independence of INEDs; reviewed the Board Diversity Policy; reviewed the Board composition and considered that the existing Board was appropriately structured. Attendance of each Nomination Committee member is set out in the table below:

Name of Member	Attended/Eligible to attend
Ms. JIANG Peizhen *(Chairman)*	1/1
Mr. ZHU Jierong	1/1
Mr. CHENG Yiqun	1/1

Board Diversity Policy

The Company views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. To that end, the Company has adopted a Board Diversity Policy to set out the approach to achieve diversity on the Board taking into consideration factors such as diversity of skills, professional and industry experience, cultural and educational background, ethnicity, length of service, gender and age. Under the Board Diversity Policy, the Nomination Committee would monitor the implementation of the Board Diversity Policy and give adequate consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board. The Board will regularly review the Board Diversity Policy and make appropriate revisions to ensure the effectiveness of the Board Diversity Policy.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. LI Hua (INED), Mr. CHENG Yiqun (INED) and Mr. HE Jinqiang (ED). Mr. LI Hua has been appointed as the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee include the following (without limitation):

– making recommendations to the Board for approval of the remuneration policy and structure and remuneration packages of the Directors and the senior management of the Company;

– determining the remuneration packages of the executive Directors and the senior management of the Company;

– making recommendations to the Board on the remuneration of non-executive Directors; and

– ensuring that no Director or any of his/her associates will be involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2016, the Remuneration Committee convened one committee meeting to assess the performance of the Directors and reviewed the Company's remuneration policy and structure for all Directors and senior management. Attendance of each Remuneration Committee member is set out in the table below:

Name of Member	Attended/Eligible to attend
Mr. LI Hua *(Chairman)*	1/1
Mr. CHENG Yiqun	1/1
Mr. HE Jinqiang	1/1

Audit Committee

The Audit Committee comprises three members, being Mr. ZHU Jierong (INED), Mr. LI Hua (INED) and Mr. CHENG Yiqun (INED). Mr. ZHU Jierong has been appointed as the chairman of the Audit Committee, and is the INED with the appropriate professional qualifications.

The principal duties of the Audit Committee include the following (but without limitation):

– reviewing the financial information of the Company including financial statements and annual and interim reports and accounts before submission to the Board;

– making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;

– reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards and discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

– reviewing the Company's financial controls, risk management and internal control systems;

– reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

– developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

– reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;

– considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and

– reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2016, the Audit Committee convened two committee meetings to review the interim results and financial statements of the Company and its subsidiaries for the year ended 31 December 2015 and the six months ended 30 June 2016, the effectiveness of the Group's risk management and internal control systems, and the effectiveness of the Group's internal audit function. There are also proper arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control and other matters. On 30 March 2017, the Audit Committee also reviewed the annual results and the financial statements for the year ended 31 December 2016 and the re-appointment of the external auditor. The Audit Committee's reviews also covered all material controls, including financial, operational and compliance controls and risk management and internal control functions of the Group. The Group's internal audit department has produced a report on the Group's internal control, financial control and risk management systems, which was presented to and reviewed by the Audit Committee and the Board. Attendance of each Audit Committee member is set out in the table below:

Name of Member	Attended/Eligible to attend
Mr. ZHU Jierong *(Chairman)*	2/2
Mr. LI Hua	2/2
Mr. CHENG Yiqun	2/2

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2016 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The Company's management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 77 to 78 of this report.

DIRECTORS' LIABILITY INSURANCE

Under code provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors or explain the reason for not doing so. The Board believes that with regular and timely communications among the Directors and the management of the Group, potential claims and legal actions against the Directors can be handled effectively without the need for insurance to be maintained. The Board will regularly review the procedures in handling potential claims and legal actions and take into account the requirements of the Directors and will monitor the need for making such an arrangement.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board to maintain adequate risk management and internal control systems to safeguard Shareholder investments and the Company's assets and review the effectiveness of such systems on an ongoing basis, at least annually.

The Group has established an internal audit department to review the financial condition, operational condition, risk management, compliance control and internal control of the Group. The Group's risk management and internal control systems are designed to ensure the achievement of business objectives in operations, financial reporting integrity and compliance with applicable laws and regulations. Such systems of risk management and internal control are designed to manage, rather than completely eliminate, risks impacting the Company's ability to achieve its business objectives. Accordingly, such systems can only provide reasonable but not absolute assurance that the financial statements do not contain a material misstatement or loss.

With the assistance of the Company's management team, the Board identifies, evaluates, and manages the significant risks faced by the Company. The Company implements the Board's policies and procedures to mitigate such risks by (i) identifying and assessing the risks the Group faces and (ii) designing, operating and monitoring the Group's risk management and internal control systems to mitigate and control such risks.

In addition, the disclosure policy which contains the procedures and internal controls for the handling and dissemination of inside information was in place to assist the Group in identifying the inside information and stating the steps to be taken according to the provisions of the Listing Rules or the SFO.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's risk management and internal control systems and considers such systems in place as of 31 December 2016 and as of the date of this report, to be effective and adequate.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the total remuneration paid or payable to the Company's auditor, Ernst & Young, for annual audit services totaling RMB1,880,000.

For the year ended 31 December 2016, no non-audit service was provided by the external auditor of the Company.

An analysis of the remuneration paid or payable to Ernst & Young is set out below:

Items of auditor's services	Amount (RMB'000)
Audit services:	
Annual audit services	1,880

The Audit Committee and the Board have agreed on the re-appointment of Ernst & Young as the external auditor of the Company for 2017 and the proposal will be submitted for approval at the AGM of the Company.

COMPANY SECRETARY

Ms. NG Wingshan was appointed as the company secretary of the Company on 13 February 2015. Ms. NG is an assistant vice president of SW Corporate Services Group Limited and her primary contact person of the Company is Mr. HE Jinqiang, an executive Director of the Company. During the year ended 31 December 2016, Ms. NG has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of Directors and the five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in Notes 8 and 9 to the financial statements.

For the year ended 31 December 2016, the remuneration paid to the top 3 senior management, other than Directors, is listed as below by band:

Band of remuneration	No. of person
Nil to RMB1,000,000	3

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make informed investment decisions.

To promote effective communication with its Shareholders and encourage their participation in general meetings, the Company has established a shareholders' communication policy and maintains a website at www.goldenthroat.com, where up-to-date information on the Company's business operations and developments is available.

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Company will attend the annual general meetings of the Company to answer Shareholders' questions. The external auditor of the Company will also attend the annual general meetings of the Company to answer questions about the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and auditor independence.

SHAREHOLDERS' RIGHTS

The Company intends to avoid bundling of resolutions at general meetings such that a separate resolution shall be proposed for each substantially separate issue at general meetings.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

In accordance with the Articles of Association, one or more Shareholders of the Company may convene an extraordinary general meeting provided that they deposit a written requisition to the Board or the company secretary and such requisitioning Shareholders hold as at the date of deposit of such requisition not less than one-tenth of the paid up capital of the Company which carries voting rights at general meetings of the Company.

Shareholders may put forward proposals for consideration at a general meeting in accordance with the Companies Law and the Articles of Association.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board should email their enquiries to the Company at gt6896@163.com.

CHANGE IN CONSTITUTIONAL DOCUMENTS

For the year ended 31 December 2016, there was no significant change in the Articles of Association of the Company.

ENVIRONMENTAL POLICIES

The Group is committed to protecting the environment. The Group implemented a comprehensive set of environmental protection measures to treat emissions generated during its production process to minimise impact on the environment and to prevent industrial pollution. These measures include having treatment and control systems for solid waste, waste water, waste gas and noise. The Group has dedicated staff members responsible for environmental protection measures. Furthermore, to minimise the impact on the environment, the Group has installed environmental protection equipment and facilities to treat and, where possible, recycle waste materials. The Group is also constantly seeking to improve its environmental protection measures, for example, by reducing its use of water and production of waste water and by not burning coal for fuel to reduce carbon emissions.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations. During the year ended 31 December 2016, as far as the Company is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company understands the importance of maintaining a good relationship with its employees, customers and suppliers. During the year ended 31 December 2016, there were no material and significant dispute between the Group and its employees, customers and suppliers.

Employees – The Group provides various internal and external training programmes to its employees with a view to improving staff knowledge. The Group also seeks to motivate and retain its employees by maintaining a merit-based compensation and promotion system. The Group had not experienced any major disputes with its employees and the Company believes that the Group maintains a good working relationship with its employees.

Customers – The Group's distributors are its direct customers. As of 31 December 2016, the Group's distribution network comprised over 300 distributors which were directly engaged by it covering all the provinces, autonomous regions and municipal cities throughout China. The Company believes that its distribution network is not easily replicable because it is the culmination of a process of over a decade of searching for, identifying, negotiating with and selecting qualified distributors in different regions across the country. Over the years, the Group has also developed pricing strategies, which ensure that the profit margins of its products remain attractive to its distributors. In addition, the Group's market leading position of its lozenge products helps retain its distributors. For further details, please refer the section headed "Distribution Network" in the Management Discussion and Analysis of this Report.

Suppliers – The Group has established relationships with an average duration of more than three years with most of its major suppliers. The Group carefully selects its suppliers based on various factors, including their product quality, stability, timeliness of delivery, market reputation, creditworthiness and track record. The Group has not experienced significant difficulties in maintaining reliable sources of supplies, and it expects to be able to maintain adequate sources of quality supplies in the future.

GOING CONCERN

The Directors have a reasonable expectation that the Group will have adequate resources to continue in operation for the foreseeable future for a period that is not less than 12 months from the date of this report (for detailed assessment, please see the corresponding note in the financial statements). The Group therefore continues to adopt the going concern basis in preparing the financial statements.

The Group places great emphasis on corporate culture and corporate philosophy. In recent years, the government, consumers, clients and investors have paid close attention over corporate governance, environmental protection and product safety. Therefore, apart from stepping up its efforts to improve the business performance of the Company, we also pay extra attention to protect employees' rights and the environment and continue to show our love and care to the society with concrete actions. The Company adheres to the strategic approach of "Creating success through concerted efforts, persistent hard work and second-phase venturing strategy" and lives up to our corporate goal to benefit the society at large by pragmatically producing safer, healthier and more effective products for the community. This report satisfies the "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules.

I. ENVIRONMENTAL

With increasing concerns over environmental issues around the world, environmental protection and energy saving have become the key topics in respect of sustainable development of enterprises. As a corporation that advocates green culture, the Group spares no efforts in emission reduction and energy saving and endeavours to minimise the impact of its daily operation on the environment.

Emission Reduction

The Group's exhaust emissions are mainly flue gas emitted by coal-fired steam boilers. During the year, the chemical oxygen demand, sulphur dioxide and ammonia nitrogen emitted by the Group were approximately 2.8 tonnes, approximately 31 tonnes and approximately 0.05 tonnes respectively, all of which were in line with level two standard of GB13271-2001 "Emission Standard of Air Pollutants for Boilers (《鍋爐大氣污染物排放標準》) and in compliance with emissions standards in China. In order to lower the negative impact on the environment, our established boiler environmental protection measures follow the "Three Simultaneities" principle. All boilers are equipped with desulphurization and dust removal devices to minimise the emissions of boiler exhaust and thus achieve the goal of emission reduction.

The wastes resulted from the Group's production in 2016 amounted to 270 tonnes in total, which were primarily activated carbon clay and dregs, all of which were delivered to the sanitation departments for the centralized treatment. The solid waste disposal of the Group is in compliance with the principle of renewability, minimisation and detoxification as stipulated in the Solid Waste Pollution Prevention and Control Law (《固體廢物污染防治法》) of the PRC and other statutory requirements in respect of handling of solid wastes.

In 2016, the effluents discharged by the Group were mainly effluents from the production process. Our sewage treatment reaches the top standard of GB8978-1996 "Integrated Wastewater Discharge Standard" (《污水綜合排放標準》). With the annual water usage of approximately 150,000 tonnes, the Group has established a set of sewage treatment facilities which employs processing procedures of "gas floatation + anaerobic process + efficient water purifier + sand filtration" and has effluent processing capacity of 700 tonnes per day. The purified sewage can be used for removing dusty water in boilers, as well as planting trees in the industrial areas. In respect of recycling of water, the Group achieved a waste water reuse rate of 60%. The management has formulated measures in relation to conservation of water resources and will monitor the implementation on a daily basis, while the Group will maximise the waste water reuse rate to achieve the goal of emission reduction.

The Group is committed to reducing the emission of pollutants by carrying out specific environmental management measures. Besides, the Group has obtained the ISO14001:2004 environmental management system certification. The Group strives to minimise the impact of its production business on the environment and utilise the energy resources effectively, which will help to protect the resources and solve the problem of climate change.

Occupational Safety

According to the requirements of "Basic Rules for Standardization of Safety Production of Enterprises" (《企業安全生產標準化基本規則》) of the PRC, the Group has formulated different relevant specifications to clearly specify different safety management responsibilities. The Group has also established a comprehensive occupational safety management system under the principles of "key responsible persons shall be held accountable" and the safety philosophy of "two roles in one post".

Moreover, the Group conducts regular safety reviews. In 2016, the Group's review team has completed 12 occupational safety reviews. The encouraging results show that different relevant departments and production areas of the Company have achieved significant improvements in terms of protective equipment, on-site environment, fire-fighting equipment, operating specifications, equipment management, etc.

Each year, the Group's internal control department prepares an annual review plan. All departments are required to conduct internal review in accordance with different safety standards and operating specifications. The departments will then submit a report listing out all items in violation of the safety standards, analyse the reasons behind such violation and propose rectification measures. The internal control department monitors the proposed rectification according to the scheduled due time to ensure such violation of safety production standards will be rectified as soon as possible.

In 2016, the Group's internal review on production safety found 4 items in violation of standards, 17 items that still need to be improved and 21 hidden dangers, all of which have been rectified under the cooperation and joint efforts of different departments. Meanwhile, the Group's Human Resources Centre organised fire drills from time to time, and regularly arranged staff meeting to provide relevant occupational safety instructions so as to enhance safety awareness of its employees and ensure that all aisles or passageways of the Group are clean and tidy. As of 31 December 2016, the Group had no fatal accidents and no employee applied for leave due to work-related injury.

II. SOCIAL

Working Environment and Culture

As of 31 December 2016, the Group had 1,005 full-time employees. In view of the changes in the social culture and labour environment in the Mainland China, the Group has established a reasonable, legitimate and effective human resources management system pursuant to government regulations to provide its employees with competitive remuneration and benefits. We provide good working environment for our employees, including a workplace that is free from discrimination and harassment. The Group has also formulated a performance assessment system and promotion system, through which all employees will be provided equal opportunities and competitive remuneration. The Group has formulated its remunerations and benefits in strict compliance with the relevant regulations and rules. Employees with outstanding performance at various levels will be rewarded with remuneration, bonus, reward and other benefits as a gratitude for their valuable contribution to the Company. The Group also provides marital leave, causal leave and compassionate leave in accordance with relevant regulations. In addition, all employees working in the same positions shall be entitled to the same level of benefits and compensation. Such policy applies to all employment ordinances and conditions, including recruitment, employment, placement, dismissal, redundancy and deployment.

As a company producing food and pharmaceutical products, the Company holds the physical and mental health of the employees in high regard. Employees are encouraged to participate in various activities, work hard and be serious at work, enjoy their life and stay happy every day. In 2016, the Company organised volleyball competition and volleyball elite competition for its employees, during which the Company has rented venues for them to practise and hold the volleyball competition.

This year, the trade union of the Company sent their festive greetings to all female employees, staff members and children on "March 8 Women's day", "May 1 Labour day" and "June 1 Children's day". Besides, the Company arranged gynaecological medical examination for female employees and maintained medical insurance for its employees. The Company also showed its care for the retired employees and extended its regards to the employees staying in hospitals.

Staff Trainings

With respect to trainings, the Company arranges its employees to study the newly-promulgated laws and regulations in the PRC in a timely manner so as to ensure that products produced by the Company are in compliance with the laws and regulations. In addition, the Company proactively participates in various trainings and educational activities organised by the drug administration bureaus in China and that of the autonomous regions.

The Company also organises various training programmes targeting employees from different business departments and functions. For example, there are training programmes in relation to knowledge of Chinese medicinal herbs and Chinese medicine decoction pieces as well as the trainings in relation to production quality standard of pharmaceutical products, equipment maintenance and repair, etc. All of these are designed to provide support to the technological development and team building of different departments.

Meanwhile, the Company also attaches great importance to nurturing of talents. The Company strives to optimise its manpower reasonably by assigning competent staff to suitable positions upon completion of training and passing the assessment test. The management will thus be able to provide targeted trainings to its subordinates with potentials.

JIANG Peizhen, the Chairman of the Company, has reiterated at meetings that the Company should play an active role in organising trainings for employees so as to keep our employees abreast of the new regulations and technologies while enabling the Company to remain at the forefront of the industry in terms of production and management standards.

Giving Back to Society

"Benefiting human beings with Golden Throat Lozenges" is always the corporate mission upheld by the Company. In order to repay the society, the Company has contributed a total of over RMB60 million to support various community welfare projects, of which RMB1 million was invested in the construction of two "Golden Throat" pedestrian foot-bridges on the east and west side of Wuyi Road in Liuzhou city; and over RMB25.60 million was contributed for the establishment of Guangxi Golden Throat Football School; support the National Games of the People's Republic of China, China International Vocal Competition, Ready for Olympic Family Talent Contest (迎奧運家庭才藝大賽), Guangxi International Folk Songs Festival, support publications such as Guangxi Women (《廣西婦女》), Science & Technology Progress and Policy (《科技進步與對策》), Guangxi Literature Monthly (《廣西文學》) and Science Comics (《科普漫畫》), with a view to helping the building of a harmonious and civilised community. In times of natural disasters over the years, the Company has donated money and materials of over RMB3.8 million. We have sent greetings to teachers in Liuzhou on Teachers' Day for 16 consecutive years, and provided financial aids to schools in poor mountainous regions and girls under the Spring Buds Program on a long-term basis.

The Group has been funding a number of schools since 1998, including Guangxi Golden Throat Posuo Primary School (廣西金嗓子坡索小學) in the old revolutionary base area of Donglan County, Hechi Prefecture, Guangxi, Guangxi Golden Throat Beigeng Secondary School (廣西金嗓子北更中學) in Xincheng County, a national-level poverty region, Xiangfen Secondary School in Rongshui Miao Autonomous Region (融水苗族自治區香粉中學), Yaji Primary School and Chaxi Primary School in Sanjiang Dong Autonomous County (三江侗族自治縣牙己小學、茶溪小學) and Ligao Secondary School in Liujiang County (柳江縣里高中學). Over these years, the Group has supported the building of two Project Hope primary schools, two school buildings, 6 washrooms and 2 libraries; donated over 2,000 classroom tables and chairs, over 20,000 warm winter outfits and sponsored over 200 girls under the Spring Buds Program. JIANG Peizhen, the Chairman, also took the lead to sponsor over 10 ethnic minority girls from Longmei Secondary School (龍美中學) in Guzhai Township, Liucheng County to receive 9-year compulsory education.

The Group safeguards the legitimate rights and interests of minors by strictly complying with the relevant laws and regulations, such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulations on Prohibiting Use of Child Labour (《禁止使用童工規定》). New recruits must be at least aged 18 and satisfy the recruitment conditions before qualified for the entry formalities so as to eliminate employment of any underage worker. In 2016, the Group has not violated the relevant laws and requirements.

III. CORPORATE DEVELOPMENT AND MANAGEMENT

Management of Suppliers

The Company has always attached great importance to the coordination and balance of its stability and development. It is committed to maintaining an effective management and control plan, while continuing to cooperate with industry organisations, suppliers and external experts. During the year, the Company exercised extensive management over suppliers and carefully reviewed their qualifications so that the suppliers may rectify problems on a continuous basis.

The Company has revised the newly introduced review standard for suppliers and raised the entry barrier for suppliers joining our supply chain. The Company has reviewed 20 suppliers introduced during the year, among which 16 of them became our suppliers officially and 2 of them were approved conditionally, while the introduction of 1 supplier was terminated. The Company insists on the principle that suppliers should manage their own work while the Company should be responsible for supervision and review. During the year, the review and assessment method of suppliers have been further improved. The Company has selected 16 suppliers that are more representative. The Company will file reports to the Food and Drug Administration timely in respect of the extracts suppliers that the Company has decided to introduce. The Company also adheres to the principle that daily management and emergency alert system should be integrated and reviews the operation risks of suppliers on a regular basis.

Production and Management Environment of the Company

The Company keeps its surrounding environment clean, maintains the roads smooth and fosters a nice green environment. Besides, there is no pollution in production areas and no obstruction in sewers. Reliable liquid seal devices are installed in the floor drains in clean areas. Production staffs who have direct contact with our products will receive medical examination every year. Health archives will be established to ensure all production staffs are free from infectious diseases. In addition, the Company has laid down and strictly enforced management requirements in respect of procurement as well as stock-in and stock-out of inventories. The Company has also set storage periods for its materials, where materials will be re-inspected upon the expiry of their storage periods and only materials passing the re-inspection will be used, otherwise they will be discarded. The stock-out of materials is carried out on a "first come first out" basis. Complete record with signatures of both the issuers and recipients will be maintained. The Company has constructed warehouses for finished products, cold stuffs and inner and outer packaging materials that are complementary to the production. These warehouses are equipped with facilities of different functions such as lighting, ventilation systems, cooling, anti-pest and anti-rodent based on the storage requirements of different materials and finished products. Materials and finished products are stored separately with clear labels. Store keepers will monitor the temperature and moisture level of each warehouse and make record accordingly. The Company keeps the surrounding environment of its workshop clean, maintains the roads smooth and fosters a nice green environment. The workshop is equipped with advanced production equipment. The fully automatic production lines for boiling and shaping imported from Europe are able to deliver reliable performance. Meanwhile, the Company has formulated various quality management systems as well as quality standards and regulations for standard inspection procedures in respect of raw materials, packaging materials, intermediates, semi-finished products and finished products, and strictly monitored the implementation of such systems, standards and regulations.

Product Liability

The Group is always committed to providing safe, reliable and effective products that are in line with national standards for consumers and its customers. During the year, the Group updated the Company's documents on quality standards by taking reference to the industry standards for product safety and the latest national laws and regulations to conform with the policy of advertising, labelling and privacy matters and methods of redress. It has also optimised its operational procedures based on the demand of new technologies and new equipment. In 2016, the Group actively supported the unannounced inspection of the Food and Drug Administration of the PRC and autonomous regions. No material rectification project was required according to the inspection results. The Group voluntarily inspected the Company's products based on the requirements of product inspection. For products that require engagement of third parties for inspection, the Company will deliver the products to the inspection institutes of third parties for inspection on a timely basis.

Anti-corruption

The Group has formulated the Anti-malpractice Operation Regulations (《反舞弊工作條例》) and Reporting System (《舉報制度》) to prevent extortion, fraud and money laundering, and strictly complied with the relevant requirements. We have established a sound voluntary interest declaration mechanism and adopted diversified reporting channels such as mail, fax, telephone and email. Follow-up investigation will be carried out for all suspicious cases. The Group also vigorously promotes enterprise education to promote the concept of anti-corruption through a variety of means such as seminars to build an honest and self-disciplined working environment. Over the past year, the employees of the Company have complied with the laws and have not violated the relevant anti-corruption legislation.

IV. LEGAL COMPLIANCE

The Group has complied with relevant laws and regulations that have a significant impact on the Group relating to (i) air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste; (ii) compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare; (iii) providing a safe working environment and protecting employees from occupational hazards; (iv) preventing child and forced labour; (v) health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress; and (vi) bribery, extortion, fraud and money laundering.

INDEPENDENT AUDITOR'S REPORT

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

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the shareholders of Golden Throat Holdings Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Golden Throat Holdings Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 147, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
As at 31 December 2016, trade receivables balance of RMB148,324,000 before provision for impairment of RMB946,000 was significant to the Group. The determination as to whether a trade receivable was collectable involved management's judgement by considering the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. The collectability of trade receivables were important to our audit because it required a high level of management's judgements and estimates in determining the provision levels on these balances. The Group's disclosures about trade receivables are included in notes 2.4, 3 and 16, which specifically explain the accounting policies, management's estimates, the overdue trade receivables and related provision.	We evaluated management's assessment as to the recoverability of the trade receivables by reviewing the detailed analyses of ageing of receivables and checking, on a sample basis, payments received subsequent to year end, historical payment patterns, any disputes between the parties involved and the credit status of counterparties where available.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Directors' Report, the Corporate Governance Report and the Environmental, Social and Governance Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT *(continued)*

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement, the Directors' Report, the Corporate Governance Report and the Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000
REVENUE	5	**768,171**	706,922
Cost of sales		**(213,231)**	(184,818)
Gross profit		**554,940**	522,104
Other income and gains	5	**30,302**	27,264
Selling and distribution expenses		**(319,034)**	(255,375)
Administrative expenses		**(69,190)**	(78,364)
Other expenses		**(14,445)**	(3,115)
Finance costs	7	**(7,272)**	(10,091)
PROFIT BEFORE TAX	6	**175,301**	202,423
Income tax expense	10	**(72,389)**	(47,805)
PROFIT FOR THE YEAR		**102,912**	154,618
Attributable to:			
Owners of the parent		**102,912**	154,618
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year	12	**RMB13.77 cents**	RMB24.21 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
PROFIT FOR THE YEAR	**102,912**	154,618
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**(10,772)**	–
Exchange differences:		
Exchange differences on translation of foreign operations	**39,484**	10,996
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**28,712**	10,996
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**28,712**	10,996
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**131,624**	165,614
Attributable to:		
Owners of the parent	**131,624**	165,614

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**55,621**	36,923
Advance payments for property, plant and equipment		**452**	635
Prepaid land lease payments	14	**39,815**	40,818
Prepayments, deposits and other receivables	17	**26,764**	248
Deferred tax assets	24	**13,918**	16,083
Total non-current assets		**136,570**	94,707
CURRENT ASSETS			
Inventories	15	**42,623**	36,759
Trade and bills receivables	16	**475,733**	372,275
Prepayments, deposits and other receivables	17	**84,200**	42,412
Due from related parties	30(c)	**3,705**	541
Available-for-sale investments	18	**314,985**	82
Cash and cash equivalents	19	**374,596**	754,664
Total current assets		**1,295,842**	1,206,733
CURRENT LIABILITIES			
Trade payables	20	**15,155**	10,302
Other payables and accruals	21	**235,557**	170,675
Interest-bearing bank borrowings	22	**66,000**	91,691
Due to a director	30(c)	**236**	96
Due to related parties	30(c)	**–**	110
Tax payable		**80,902**	47,648
Government grants	23	**366**	366
Dividend payable		**39,679**	–
Total current liabilities		**437,895**	320,888
NET CURRENT ASSETS		**857,947**	885,845
TOTAL ASSETS LESS CURRENT LIABILITIES		**994,517**	980,552

31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**994,517**	980,552
NON-CURRENT LIABILITIES			
Other payables and accruals	21	**1,234**	855
Government grants	23	**2,096**	2,462
Deferred tax liabilities	24	**4,430**	8,790
Total non-current liabilities		**7,760**	12,107
Net assets		**986,757**	968,445
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**113**	115
Share premium	25	**675,410**	711,364
Reserves	26	**311,234**	256,966
Total equity		**986,757**	968,445

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

		Attributable to owners of the parent								
	Notes	Share capital RMB'000 (note 25)	Share premium account RMB'000 (note 25)	Capital reserves RMB'000 (note 26)	Statutory and other surplus reserves RMB'000 (note 26)	Other reserves RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2015		–	–	8,952	78,534	(24)	–	–	3,890	91,352
Profit for the year		–	–	–	–	–	–	–	154,618	154,618
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	–	10,996	–	–	10,996
Total comprehensive income for the year		–	–	–	–	–	10,996	–	154,618	165,614
Issue of shares	25	115	741,801	–	–	–	–	–	–	741,916
Share issue expenses	25	–	(30,437)	–	–	–	–	–	–	(30,437)
At 31 December 2015 and 1 January 2016		115	711,364	8,952	78,534	(24)	10,996	–	158,508	968,445
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**102,912**	**102,912**
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments, net of tax		**-**	**-**	**-**	**-**	**-**	**-**	**(10,772)**	**-**	**(10,772)**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**39,484**	**-**	**-**	**39,484**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**39,484**	**(10,772)**	**102,912**	**131,624**
Final 2015 dividend declared		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(38,039)**	**(38,039)**
Shares repurchased	25	**(2)**	**(35,954)**	**-**	**-**	**-**	**-**	**-**	**-**	**(35,956)**
Transfer from retained profits		**-**	**-**	**-**	**33,909**	**-**	**-**	**-**	**(33,909)**	**-**
Interim 2016 dividend declared		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(39,317)**	**(39,317)**
At 31 December 2016		**113**	**675,410**	**8,952***	**112,443***	**(24)***	**50,480***	**(10,772)***	**150,155***	**986,757**

* These reserve accounts comprise the consolidated other reserves of RMB311,234,000 (2015: RMB256,966,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**175,301**	202,423
Adjustments for:			
Depreciation of items of property, plant and equipment	13	**5,482**	5,218
Amortisation of prepaid land lease payments	14	**1,003**	789
Recognition of government grants	23	**(366)**	(1,076)
Loss on disposal of items of property, plant and equipment	6	**12**	474
Investment income from available-for-sale investments	5	**(13,559)**	(86)
Changes in fair value of available-for-sale investments	6	**–**	44
Exchange losses/(gains), net	6	**11,131**	(1,728)
Bank interest income	5	**(3,410)**	(9,729)
Finance costs	7	**7,272**	10,091
Impairment/(reversal of impairment) of trade receivables	16	**124**	(704)
Impairment of other receivables	17	**2,004**	310
Write-down/(reversal of write-down) of inventories to net realisable value	6	**125**	(791)
		185,119	205,235
Increase in trade and bills receivables		**(103,582)**	(109,573)
Increase in prepayments, deposits and other receivables		**(67,178)**	(13,995)
(Increase)/decrease in inventories		**(5,989)**	11,885
Decrease in amounts due from related parties		**452**	3,216
(Decrease)/increase in amounts due to related parties		**(110)**	31
Increase/(decrease) in trade payables		**4,853**	(9,471)
Increase in other payables and accruals		**44,126**	1,104
Decrease in an amount due to a director		**140**	–
Cash generated from operations		**57,831**	88,432
Interest received		**4,030**	9,109
Interest paid		**(7,272)**	(10,091)
Income tax paid		**(41,330)**	(36,215)
Net cash flows from operating activities		**13,259**	51,235

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(8,878)**	(3,030)
Purchases of available-for-sale investments		**(1,408,638)**	(126)
Proceeds from disposal of available-for-sale investments		**1,112,709**	1,189
Investment income from available-for-sale investments		**9,900**	–
Advances to related parties		**(44,958)**	–
Repayment of advances to related parties		**42,515**	–
Proceeds from disposal of items of property, plant and equipment		**4**	292
Prepayment of land lease payments		**–**	(21,293)
Decrease in an amount due to a director		**–**	(92)
Decrease in prepayments, deposits and other receivables		**–**	1,296
Net cash flows used in investing activities		**(297,346)**	(21,764)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**(12,753,440)**	(389,319)
New bank loans		**12,715,863**	386,230
Decrease in amounts due to related parties		**–**	(7,506)
Decrease in pledged time deposits		**–**	22,126
Increase in other payable and accruals		**6,000**	–
Proceeds from issue of shares	25	**–**	741,832
Share issue expenses		**–**	(30,337)
Payments of repurchase of shares		**(35,956)**	–
Dividends paid to shareholders		**(38,039)**	(137,720)
Net cash flows (used in)/from financing activities		**(105,572)**	585,306
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(389,659)**	614,777
Effect of foreign exchange rate changes, net		**9,591**	12,724
Cash and cash equivalents at beginning of year	19	**754,664**	127,163
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**374,596**	754,664
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**374,596**	754,664

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Group was principally involved in the manufacture and sale of pharmaceutical, healthcare food and other products.

On 15 July 2015, the Company achieved a successful listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Golden Throat Industrial Holdings Limited 金嗓子實業集團有限公司	Hong Kong	HKD1	100%	–	Investment holding
Guangxi Golden Throat Investment Consulting Co., Ltd. * 廣西金嗓子投資諮詢有限公司	People's Republic of China (the "PRC")/Mainland China	USD35,000,000	–	100%	Investment holding
Guangxi Golden Throat Co., Ltd.*** ("Golden Throat Company") 廣西金嗓子有限責任公司	PRC/Mainland China	RMB250,265,000	–	100%	Manufacture and sale of pharmaceutical and healthcare food products
Guangxi Golden Throat Health Food Co., Ltd.** 廣西金嗓子保健品有限公司	PRC/Mainland China	RMB3,200,000	–	100%	Manufacture and sale of pharmaceutical and healthcare food products

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangxi Golden Throat Medical Co., Ltd.** 廣西金嗓子醫藥有限公司	PRC/Mainland China	RMB5,000,000	–	100%	Trading of pharmaceutical and healthcare food products
Guangxi Golden Throat Pharmaceutical Corporation** ("Golden Throat Pharmaceutical") 廣西金嗓子藥業股份有限公司	PRC/Mainland China	RMB30,000,000	–	100%	Manufacture and sale of pharmaceutical and healthcare food products
Guangxi Golden Throat Import & Export Trading Co., Ltd.** 廣西金嗓子進出口貿易有限公司	PRC/Mainland China	RMB2,100,000	–	100%	Import and export trading of goods
Guangxi Golden Throat Biological Technology Co., Ltd.** 廣西金嗓子生物科技有限公司	PRC/Mainland China	RMB2,000,000	–	100%	Research and development, processing and sale of herbal vegetable beverage concentrates
Guangxi Golden Throat Food Co., Ltd.** 廣西金嗓子食品有限公司	PRC/Mainland China	RMB2,000,000	–	100%	Development and sale of food and beverages

* This entity is a wholly-foreign-owned enterprise established under PRC law.

** These entities are limited liability enterprises established under PRC law.

*** This entity is a limited liability enterprise established under PRC law. During the year, the registered capital of this entity increased from RMB30,265,000 to RMB250,265,000.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above revised standards has had no significant financial effect on the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. The Group is currently assessing the impact of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Machinery and equipment	9.50%
Computer and office equipment	19.00%
Motor vehicles	23.75%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, machinery and equipment, computer and office equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost is the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest earned whilst holding the available-for-sale financial investments is reported as interest income, and is recognised in the statement of profit or loss as other income in accordance with the policy set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making the judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

The interest reduction based on the rate lower than the market interest rate for the bank borrowings in accordance with the Notice for the Preferential Interest Rates of Loans for National Trade and Manufacturing of National Special Products issued by the People's Bank of China and the State Ethnic Affairs Commission of the People's Republic of China is recognised as income when received.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

There is no significant effect on the amounts recognised in the financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised deductible temporary differences at 31 December 2016 was RMB13,918,000 (2015: RMB16,083,000). Further details are contained in note 24 to the financial statements.

Income tax

The Group is subject to income taxes in various regions. As certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income tax. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions over the period in which the differences are realised. Further details are disclosed in note 10 to the financial statements.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on an assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgements and estimates by considering the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade and other receivables and impairment losses over the period in which such estimate has been changed. The provision for impairment of trade and other receivables at 31 December 2016 was RMB1,014,000 (2015: RMB2,635,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products 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.

Geographical information

During the year, all of the Group's revenue was generated from customers located in Mainland China and all of the non-current assets of the Group was located in Mainland China.

Information about major customer

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue during the year (2015: Nil).

5. REVENUE, OTHER INCOME AND GAINS

Revenue 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 year.

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

	2016 **RMB'000**	2015 RMB'000
Revenue		
Sale of goods	**768,171**	706,922
Other income		
Government grants	**13,186**	14,545
Bank interest income	**3,410**	9,729
Investment income from available-for-sale investments	**13,559**	86
Rental income	**11**	52
Others	**136**	1,124
	30,302	25,536
Gains		
Exchange gains, net	**–**	1,728
	30,302	27,264

6. PROFIT BEFORE TAX

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

	Notes	**2016 RMB'000**	2015 RMB'000
Cost of inventories sold		**213,231**	184,818
Depreciation of items of property, plant and equipment	13	**5,482**	5,218
Amortisation of land lease payments	14	**1,003**	789
Research and development costs		**1,724**	2,289
Minimum lease payments under operating leases		**2,547**	578
Auditor's remuneration		**1,976**	3,930
Government grants		**(13,186)**	(14,545)
Bank interest income		**(3,410)**	(9,729)
Investment income from available-for-sale investments		**(13,559)**	(86)
Rental income		**(11)**	(52)
Exchange losses/(gains), net		**11,131**	(1,728)
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**55,231**	58,422
Pension scheme contributions		**10,020**	8,924
Staff welfare expenses		**15,234**	15,617
		80,485	82,963
Loss on disposal of items of property, plant and equipment		**12**	474
Donation		**165**	120
Changes in fair value of available-for-sale investments		**–**	44
Impairment/(reversal of impairment) of trade receivables	16	**124**	(704)
Impairment of other receivables	17	**2,004**	310
Write-down/(reversal of write-down) of inventories to net realisable value		**125**	(791)

7. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank loans	**7,272**	6,083
Interest on discounted bills receivable	**–**	4,008
	7,272	10,091

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383 (1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Fees	**360**	180
Other emoluments:		
Salaries, allowances and benefits in kind	**3,693**	3,487
Performance related bonuses	**7,950**	3,999
Pension scheme contributions	**379**	354
	12,022	7,840
	12,382	8,020

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016 RMB'000	2015 RMB'000
Li Hua	**120**	60
Cheng Yiqun	**120**	60
Zhu Jierong	**120**	60
	360	180

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and a non-executive director

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016				
Executive directors:				
Zeng Yong	**662**	**2,785**	**64**	**3,511**
Lu Xinghong	**409**	**263**	**59**	**731**
Zeng Kexiong	**389**	**269**	**64**	**722**
Huang Jianping	**388**	**263**	**64**	**715**
He Jinqiang	**388**	**264**	**64**	**716**
	2,236	**3,844**	**315**	**6,395**
Non-executive director:				
Jiang Peizhen	**1,457**	**4,106**	**64**	**5,627**
	3,693	**7,950**	**379**	**12,022**
2015				
Executive directors:				
Zeng Yong	477	795	59	1,331
Lu Xinghong	390	270	59	719
Zeng Kexiong	388	269	59	716
Huang Jianping	388	269	59	716
He Jinqiang	387	269	59	715
	2,030	1,872	295	4,197
Non-executive director:				
Jiang Peizhen	1,457	2,127	59	3,643
	3,487	3,999	354	7,840

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and a non-executive director *(continued)*

No emoluments were paid by the Group to any of the above directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

The Group did not appoint a chief executive, and the duty of a chief executive was performed by the general manager.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five directors (2015: five directors), details of whose remuneration are set out in note 8 above.

10. 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 Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax. The Group's subsidiary incorporated in Hong Kong is not liable for profits tax as it did not have any assessable profits arising in Hong Kong during the year.

The provision for Mainland China income tax has been made at the applicable income tax rate of 25% on the assessable profits of certain PRC subsidiaries of the Group in accordance with the PRC Corporate Income Tax Law. Golden Throat Company and Golden Throat Pharmaceutical are qualified as companies under the development strategy of China western region and are subject to a preferential income tax rate of 15% for the year (2015: 15%).

The income tax expense of the Group for the years ended 31 December 2016 and 2015 is analysed as follows:

	2016 **RMB'000**	2015 RMB'000
Current tax:		
Charge for the year	**60,420**	44,644
Deferred tax (note 24)	**11,969**	3,161
Total tax charge for the year	**72,389**	47,805

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2016 **RMB'000**	2015 RMB'000
Profit before tax	**175,301**	202,423
At the PRC's statutory income tax rate of 25%	**43,825**	50,606
Lower tax rates for specific provinces or enacted by local authority	**(18,180)**	(17,892)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**9,804**	8,711
Expenses not deductible for tax	**25,141**	7,469
Income not subject to tax	**(130)**	(262)
Additional deductible allowance for the payroll of disabled employees	**(722)**	(827)
Temporary differences not recognised	**12,651**	–
Tax charge at the Group's effective rate	**72,389**	47,805

11. DIVIDENDS

	2016 **RMB'000**	2015 RMB'000
Interim		
– HK6 cents (2015: Nil) per ordinary share	**39,317**	–
Proposed final		
– HK6 cents (2015: HK6 cents) per ordinary share	**39,679**	37,660
	78,996	37,660

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 747,505,623 (2015: 638,662,951) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculation of basic earnings per share is based on:

	2016	2015
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**102,912**	154,618

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**747,505,623**	638,662,951

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	53,725	73,560	2,909	5,133	2,023	137,350
Accumulated depreciation	(45,521)	(48,677)	(2,160)	(4,069)	–	(100,427)
Net carrying amount	8,204	24,883	749	1,064	2,023	36,923
At 1 January 2016, net of accumulated depreciation	8,204	24,883	749	1,064	2,023	36,923
Additions	–	2,797	15	1,997	19,387	24,196
Disposals	–	(13)	(1)	(2)	–	(16)
Depreciation provided during the year (note 6)	(912)	(3,598)	(338)	(634)	–	(5,482)
Transfers	–	869	–	–	(869)	–
At 31 December 2016, net of accumulated depreciation	7,292	24,938	425	2,425	20,541	55,621
At 31 December 2016:						
Cost	53,725	76,958	2,917	7,079	20,541	161,220
Accumulated depreciation	(46,433)	(52,020)	(2,492)	(4,654)	–	(105,599)
Net carrying amount	7,292	24,938	425	2,425	20,541	55,621

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015						
At 1 January 2015:						
Cost	53,799	79,681	2,909	5,133	3,063	144,585
Accumulated depreciation	(45,220)	(55,162)	(1,796)	(2,806)	–	(104,984)
Net carrying amount	8,579	24,519	1,113	2,327	3,063	39,601
At 1 January 2015, net of accumulated depreciation	8,579	24,519	1,113	2,327	3,063	39,601
Additions	–	1,236	–	–	2,070	3,306
Disposals	(74)	(692)	–	–	–	(766)
Depreciation provided during the year (note 6)	(301)	(3,290)	(364)	(1,263)	–	(5,218)
Transfers	–	3,110	–	–	(3,110)	–
At 31 December 2015, net of accumulated depreciation	8,204	24,883	749	1,064	2,023	36,923
At 31 December 2015:						
Cost	53,725	73,560	2,909	5,133	2,023	137,350
Accumulated depreciation	(45,521)	(48,677)	(2,160)	(4,069)	–	(100,427)
Net carrying amount	8,204	24,883	749	1,064	2,023	36,923

At 31 December 2015, the Group has not obtained building ownership certificates for certain buildings with an aggregate net book value of RMB753,000. The Group is not able to assign, transfer or mortgage these assets until the certificates are obtained. At 31 December 2016, the Group has obtained all building ownership certificates for buildings.

At 31 December 2016, certain of the Group's buildings with a net carrying amount of approximately RMB1,573,000 (2015: RMB1,717,000) were pledged to secure bank loan facilities granted to the Group (note 22).

14. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at beginning of year	**41,821**	21,317
Additions	**–**	21,293
Recognised during the year (note 6)	**(1,003)**	(789)
Carrying amount at end of year	**40,818**	41,821
Current portion included in prepayments, deposits and other receivables (note 17)	**(1,003)**	(1,003)
Non-current portion	**39,815**	40,818

At 31 December 2016, certain of the Group's leasehold lands with a net carrying amount of approximately RMB16,698,000 (2015: RMB38,258,000) were pledged to secure bank loan facilities granted to the Group (note 22).

15. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**17,874**	12,255
Work in progress	**13,873**	3,043
Finished goods	**12,289**	22,749
	44,036	38,047
Write-down of inventories to net realisable value	**(1,413)**	(1,288)
	42,623	36,759

16. TRADE AND BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**148,324**	60,409
Bills receivable	**328,355**	314,189
	476,679	374,598
Impairment	**(946)**	(2,323)
	475,733	372,275

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. The Group does not hold any collateral or other credit enhancements over these balances. 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:

	2016 RMB'000	2015 RMB'000
Less than 3 months	**138,013**	55,264
3 to 6 months	**3,422**	1,395
6 to 12 months	**5,753**	755
1 to 2 years	**149**	490
Over 2 years	**41**	182
	147,378	58,086

16. TRADE AND BILLS RECEIVABLES *(continued)*

The movements in provision for impairment of trade receivables are as follows:

	2016 **RMB'000**	2015 RMB'000
At beginning of year	**2,323**	13,274
Impairment losses recognised (note 6)	**1,060**	402
Impairment losses reversed (note 6)	**(936)**	(1,106)
Amount written off as uncollectible	**(1,501)**	(10,247)
At end of year	**946**	2,323

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB946,000 (2015: RMB2,323,000), with a carrying amount before provision of RMB946,000 (2015: RMB2,323,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or ceased trading with the Group and none of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 **RMB'000**	2015 RMB'000
Neither past due nor impaired	**138,013**	55,264
Less than 3 months past due	**3,422**	1,395
Over 3 months past due	**5,943**	1,427
	147,378	58,086

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16. TRADE AND BILLS RECEIVABLES *(continued)*

At 31 December 2016, the Group endorsed certain bills receivable accepted by certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB15,652,000 (2015: RMB24,202,000) (the "Endorsement"). In addition, at 31 December 2016, the Group did not discount certain bills receivable accepted by certain banks in the PRC (the "Discounted Notes") (2015: RMB9,991,000) (the "Discount"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and Discounted Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement").

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes and Discounted Notes accepted by large and reputable banks with amounts of RMB6,583,000 (2015: RMB6,634,000) and nil (2015: RMB8,300,000), respectively (the "Derecognised Notes"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

At 31 December 2016, the Group continued to recognise the full carrying amounts of the remaining Endorsed Notes and the associated trade payables settled with an amount of RMB9,069,000 (2015: RMB17,568,000), and to recognise the proceeds received from the discount of the remaining Discounted Notes with an amount of nil (2015: RMB1,691,000) as short-term loans because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes and Discounted Notes.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement and the Discount have been made evenly during the year.

Bills receivable are due within six months. At 31 December 2016, no bills receivable were pledged to secure bank loan facilities granted to the Group (2015: RMB1,691,000) (note 22).

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Other receivables	14,991	5,402
Prepayments for material costs	5,796	2,225
Interest receivable	3,750	620
Prepaid land lease payments (note 14)	1,003	1,003
Prepaid expenses	85,492	33,722
	111,032	42,972
Impairment	(68)	(312)
	110,964	42,660
Less: Other receivables, non-current portion	(136)	(248)
Prepaid expenses, non-current portion	(26,628)	–
	84,200	42,412

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment except for the non-current portion, which are unsecured, non-interest-bearing and repayable before the year of 2025.

The movements in provision for impairment of other receivables are as follows:

	2016 RMB'000	2015 RMB'000
At beginning of year	312	1,086
Impairment losses recognised (note 6)	2,004	310
Amount written off as uncollectible	(2,248)	(1,084)
At end of year	68	312

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016 **RMB'000**	2015 RMB'000
Listed equity investments, at fair value (note a)	**27**	82
Corporate bonds and notes, at fair value (note b)	**314,958**	–
	314,985	82

Notes:

(a) Listed equity investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

(b) Corporate bonds and notes have annual target return rates ranged from 3% to 6.75%, which will due within the period from 1 January 2017 to 8 March 2027.

19. CASH AND CASH EQUIVALENTS

	2016 **RMB'000**	2015 RMB'000
Cash and bank balances	**374,596**	754,664

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB227,217,000 (2015: RMB608,274,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

	2016 **RMB'000**	2015 RMB'000
Trade payables	**15,155**	10,302

20. TRADE PAYABLES *(continued)*

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

	2016 RMB'000	2015 RMB'000
Less than 3 months	**3,921**	3,921
3 to 6 months	**6,537**	4,021
6 to 12 months	**3,395**	1,088
1 to 2 years	**35**	423
Over 2 years	**1,267**	849
	15,155	10,302

Included in the trade payables are trade payables of RMB218,000 (2015: Nil) due to a related party controlled by a director of the Group which are repayable within 30 days, which represents credit terms similar to those offered by the related party to its major customers.

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

21. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Other payables	**39,986**	26,969
Accrued liabilities	**118,150**	69,527
Accrued employee benefits	**15,362**	12,249
Advances from customers	**23,843**	30,791
Taxes payable other than corporate income tax	**39,450**	31,994
	236,791	171,530
Less: Accrued employee benefits, non-current portion	**(1,234)**	(855)
	235,557	170,675

Other payables are non-interest-bearing and have an average payment term of three months.

22. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2016 RMB'000	2015 RMB'000
Current				
Bank loans – secured	3.37-5.60	Within 1 year	**36,000**	61,691
Bank loans – unsecured	4.35-5.60	Within 1 year	**30,000**	30,000
			66,000	91,691
Analysed into:				
Bank loans repayable:				
Within one year or on demand			**66,000**	91,691

Notes:

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

(i) mortgages over certain of the Group's leasehold lands, which had an aggregate net carrying value at the end of the reporting period of approximately RMB16,698,000 (2015: RMB38,258,000) (note 14); and

(ii) mortgages over certain of the Group's buildings, which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,573,000 (2015: RMB1,717,000) (note 13).

No bills receivable are pledged to secure certain of the Group's bank loans at the end of the reporting period (2015: RMB1,691,000) (note 16).

No bank loans have been guaranteed by a director of the Company, Jiang Peizhen, at the end of the reporting period (2015: RMB20,000,000) (note 30 (b)).

23. GOVERNMENT GRANTS

	2016 RMB'000	2015 RMB'000
At beginning of year	**2,828**	3,904
Addition during the year	**–**	
Recognised as income during the year	**(366)**	(1,076)
At end of year	**2,462**	2,828
Current	**366**	366
Non-current	**2,096**	2,462
	2,462	2,828

The Group received government funding for several government-sponsored projects focusing on the development of manufacturing facilities of the Group. Upon completion of the related projects, the grants related to assets were released to the statement of profit or loss over the expected useful lives of the relevant assets.

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

	Deferred tax assets								Deferred tax liabilities		
	Advertising expenses	Impairment of other receivables	Impairment of inventories	Accrued expenses	Accrued employee benefits	Unrealised profit attributable to the intra-group transactions	Government grants	Deferred tax assets total	Withholding taxes	Deferred tax liabilities total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	87	163	318	6,799	2,007	573	586	10,533	(79)	(79)	10,454
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(87)	(114)	(116)	6,070	(178)	137	(162)	5,550	(8,711)	(8,711)	(3,161)
At 31 December 2015 and 1 January 2016	–	49	202	12,869	1,829	710	424	16,083	(8,790)	(8,790)	7,293
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**-**	**(33)**	**5**	**256**	**(1,665)**	**(673)**	**(55)**	**(2,165)**	**(9,804)**	**(9,804)**	**(11,969)**
Deferred tax realised during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,164**	**14,164**	**14,164**
At 31 December 2016	**-**	**16**	**207**	**13,125**	**164**	**37**	**369**	**13,918**	**(4,430)**	**(4,430)**	**9,488**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

24. DEFERRED TAX *(continued)*

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB115,420,000 at 31 December 2016 (2015: RMB86,770,000).

At 31 December 2016, deferred tax of RMB4,430,000 (2015: RMB8,790,000) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China.

The Group has temporary differences arising in Mainland China of RMB12,651,000 (2015: Nil) that are available indefinitely for offsetting against future taxable profits of the subsidiaries in which the temporary differences arose.

Deferred tax assets have not been recognised in respect of these temporary differences as they have arisen in subsidiaries that have loss-making and it is not considered probable that taxable profits will be available against which the temporary differences can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL

	2016 **RMB'000**	2015 RMB'000
Issued and fully paid: 194,532,000 (2015: 204,413,000) ordinary shares	**29**	31
Issued but not paid: 544,770,000 (2015: 544,770,000) ordinary shares	**84**	84
	113	115

25. SHARE CAPITAL *(continued)*

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2015 (note (a))	3	–	–	–
Share sub-division (note (b))	120,000	–	–	–
Issue of shares to shareholders (note (c))	544,650,000	84	–	84
Issue of shares (note (d))	204,413,000	31	741,801	741,832
Share issue expenses	–	–	(30,437)	(30,437)
At 31 December 2015 and 1 January 2016	749,183,000	115	711,364	711,479
Shares repurchased and cancelled (note (e))	(9,881,000)	(2)	(35,954)	(35,956)
At 31 December 2016	739,302,000	113	675,410	675,523

Notes:

(a) The Company was incorporated on 2 September 2014 with authorised share capital of US$50,000 (equivalent to RMB308,000) divided into 50,000 shares of US$1.00 each and one share at par of US$1.00 was issued. On 4 October 2014 and 16 December 2014, the Company issued one share of par value US$1.00, respectively. As at 1 January 2015, the issued share capital of the Company was US$3 (equivalent to RMB18) with three shares of US$1.00 each.

(b) On 13 February 2015, each of the issued and unissued shares of the Company of US$1.00 par value was sub-divided into 40,000 shares of US$0.000025 par value each such that the authorised share capital remained unchanged as US$50,000 was divided into 2,000,000,000 shares in one class with par value of US$0.000025 each, of which 120,000 shares were issued and outstanding. Out of these 120,000 shares, each of Golden Throat International Holdings Limited ("Golden Throat International"), Jin Chen Global Investment Company Limited ("Jin Chen Global") and Jin Qing Global Investment Company Limited ("Jin Qing Global") held 40,000 shares.

25. SHARE CAPITAL *(continued)*

A summary of movements in the Company's share capital is as follows: *(continued)*

(c) On 4 March 2015, the Company allotted and issued to Golden Throat International, Jin Chen Global and Jin Qing Global, 448,476,800 shares, 79,113,200 shares and 17,060,000 shares, respectively, at a par value of US$0.000025 per share.

(d) 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 Hong Kong 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.

(e) 9,881,000 ordinary shares were repurchased and cancelled during the year ended 31 December 2016, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased and cancelled ordinary shares. The premium and related expenses paid on the repurchase of the 9,881,000 ordinary shares of HK$40,585,070 (equivalent to approximately RMB35,954,000) were charged to the share premium account.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 83 of this report.

Statutory and other surplus reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Other surplus reserve was appropriated from net profit in accordance with a prescribed percentage approved in a general meeting of the shareholders. Other surplus reserve may be used to offset accumulated losses or increase capital. Where an enterprise satisfies the stipulated conditions, other surplus reserve can also be used to distribute cash dividends.

Capital reserves

Capital reserves represent the aggregated amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company. Details of the movement in capital reserves for the year ended 31 December 2016 are set out in the consolidated statement of changes in equity.

27. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

28. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**736**	389
In the second to fifth years, inclusive	**540**	–
	1,276	389

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following capital commitments at the end of reporting period:

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for:		
Land and buildings	**85,800**	–

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2016 RMB'000	2015 RMB'000
An entity ultimately controlled by a director			
Guangxi Weikete Biological Technology Co., Ltd. ("Weikete")			
Sales of raw materials	(i)	**246**	–
Purchases of products	(ii)	**4,886**	2,964
Holding Company			
Golden Throat International Holdings Limited			
Advance given to and repaid by	(iii)	**3,128**	–
An entity significantly influenced by a director			
Golden Throat Football School			
Donation to	(iv)	**–**	60

Notes:

(i) The sales to a related party were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from a related party were made according to the published prices and conditions offered by the related party to their major customers.

(iii) The advance to a related party was unsecured, non-interest-bearing and payable on demand.

(iv) The donation was made based on mutual agreement.

(b) Other transactions with related parties:

No bank loans have been guaranteed by a director of the Company, Jiang Peizhen, at the end of the reporting period (2015: RMB20,000,000) (note 22).

30. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties:

(i) The Group had an outstanding balance due from related parties of RMB3,705,000 (2015: RMB541,000) as at the end of the reporting period. Out of the outstanding balance, RMB3,616,000 is unsecured, non-interest-bearing and payable on demand. The remaining outstanding balance of RMB89,000 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 RMB236,000 (2015: RMB96,000) as at the end of the reporting period. The balance is unsecured, non-interest-bearing and repayable on demand.

(iii) The Group had no outstanding balances due to related parties at the end of the reporting period (2015: RMB110,000).

(iv) Details of the Group's trade balances with its related party as at the end of the reporting period are disclosed in note 20 to the financial statements.

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

	2016 **RMB'000**	2015 RMB'000
Short-term employee benefits	**12,003**	7,666
Pension scheme contributions	**379**	354
Total compensation paid to key management personnel	**12,382**	8,020

Further details of directors' remuneration are included in note 8 to the financial statements.

The related party transactions in respect of purchases of products from Weikete above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2016

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade and bills receivables	**475,733**	**–**	**475,733**
Financial assets included in prepayments, deposits and other receivables	**18,673**	**–**	**18,673**
Due from related parties	**3,705**	**–**	**3,705**
Available-for-sale investments	**–**	**314,985**	**314,985**
Cash and cash equivalents	**374,596**	**–**	**374,596**
	872,707	**314,985**	**1,187,692**

2015

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade and bills receivables	372,275	–	372,275
Financial assets included in prepayments, deposits and other receivables	5,710	–	5,710
Due from related parties	541	–	541
Available-for-sale investments	–	82	82
Cash and cash equivalents	754,664	–	754,664
	1,133,190	82	1,133,272

31. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Financial liabilities at amortised cost

	2016	2015
	RMB'000	RMB'000
Trade payables	**15,155**	10,302
Financial liabilities included in other payables and accruals	**158,136**	96,496
Interest-bearing bank borrowings	**66,000**	91,691
Due to a director	**236**	96
Due to related parties	**–**	110
Dividend payable	**39,679**	–
	279,206	198,695

32. 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. At each reporting date, 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.

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

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

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 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Available-for-sale investments	**314,985**	**–**	**–**	**314,985**

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	82	–	–	82

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 (2015: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		RMB'000
2016		
RMB	**50**	**(330)**
RMB	**(50)**	**330**
2015		
RMB	50	(450)
RMB	(50)	450

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar and the United States dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in rate of foreign currency	**Increase/ (decrease) in profit before tax**
	%	RMB'000
2016		
If RMB weakens against the Hong Kong dollar	**5**	**4,880**
If RMB strengthens against the Hong Kong dollar	**(5)**	**(4,880)**
If RMB weakens against the United States dollar	**5**	**16,561**
If RMB strengthens against the United States dollar	**(5)**	**(16,561)**
2015		
If RMB weakens against the Hong Kong dollar	5	7,000
If RMB strengthens against the Hong Kong dollar	(5)	(7,000)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades mainly with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different regions.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 16 and 17 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2016

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	30,429	36,103	–	–	66,532
Trade payables	11,235	3,920	–	–	–	15,155
Financial liabilities included in other payables and accruals	30,108	126,930	1,098	–	–	158,136
Dividend payable	39,679	–	–	–	–	39,679
Due to a director	236	–	–	–	–	236
	81,258	161,279	37,201	–	–	279,738

2015

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	71,517	20,558	–	–	92,075
Trade payables	6,395	3,907	–	–	–	10,302
Financial liabilities included in other payables and accruals	8,735	80,574	7,187	–	–	96,496
Due to a director	96	–	–	–	–	96
Due to related parties	110	–	–	–	–	110
	15,336	155,998	27,745	–	–	199,079

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables, other payables and accruals and amounts due to a director and related parties, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2016 **RMB'000**	2015 RMB'000
Interest-bearing bank borrowings	**66,000**	91,691
Trade payables	**15,155**	10,302
Other payables and accruals	**235,557**	170,675
Due to a director	**236**	96
Due to related parties	**–**	110
Less: Cash and cash equivalents	**(374,596)**	(754,664)
Net cash	**(57,648)**	(481,790)
Equity attributable to owners of the parent	**986,757**	968,445
Capital and net cash	**929,109**	486,655
Gearing ratio	**N/A**	N/A

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Prepayments, deposits and other receivables	**20,162**	–
Total non-current assets	**20,162**	–
CURRENT ASSETS		
Prepayments, deposits and other receivables	**6,596**	568
Due from the holding company	**3,616**	–
Due from a subsidiary	**358,749**	215,100
Due from related parties	**89**	84
Available-for-sale investments	**314,958**	–
Cash and cash equivalents	**93,909**	503,526
Total current assets	**777,917**	719,278
CURRENT LIABILITIES		
Other payables and accruals	**1,096**	5,424
Dividend payable	**39,679**	–
Total current liabilities	**40,775**	5,424
NET CURRENT ASSETS	**737,142**	713,854
TOTAL ASSETS LESS CURRENT LIABILITIES	**757,304**	713,854
Net assets	**757,304**	713,854
EQUITY		
Share capital	**113**	115
Share premium (note)	**675,410**	711,364
Reserves (note)	**81,781**	2,375
Total equity	**757,304**	713,854

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Exchange fluctuation reserves RMB'000	Available-for-sale investment revaluation RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2015	–	–	–	–	–
Loss for the year	–	–	–	(40,735)	(40,735)
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	–	43,110	–	–	43,110
Total comprehensive income/(loss) for the year	–	43,110	–	(40,735)	2,375
Issue of shares	741,801	–	–	–	741,801
Share issue expenses	(30,437)	–	–	–	(30,437)
At 31 December 2015	711,364	43,110	–	(40,735)	713,739
Profit for the year	–	–	–	118,091	118,091
Other comprehensive income for the year:					
Change in fair value of available-for-sale investment	–	–	(10,711)	–	(10,711)
Exchange differences on translation of foreign operations	–	49,382	–	–	49,382
Total comprehensive income/(loss) for the year	–	49,382	(10,711)	118,091	156,762
Final 2015 dividend declared	–	–	–	(38,039)	(38,039)
Cancellation of shares repurchased	(35,954)	–	–	–	(35,954)
Interim 2016 dividend declared	–	–	–	(39,317)	(39,317)
At 31 December 2016	675,410	92,492	(10,711)	–	757,191

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**768,171**	706,922	606,801	548,857	587,802
Cost of sales	**(213,231)**	(184,818)	(176,893)	(181,994)	(210,185)
Gross profit	**554,940**	522,104	429,908	366,863	377,617
PROFIT BEFORE TAX	**175,301**	202,423	156,838	92,243	128,502
Income tax expense	**(72,389)**	(47,805)	(35,128)	(22,325)	(25,658)
PROFIT FOR THE YEAR	**102,912**	154,618	121,710	69,918	102,844
Attributable to:					
Owners of the parent	**102,912**	154,618	121,893	69,918	102,844
Non-controlling interests	**–**	–	(183)	–	–
	102,912	154,618	121,710	69,918	102,844

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**1,432,412**	1,301,440	568,026	590,726	645,418
TOTAL LIABILITIES	**(445,655)**	(332,995)	(476,674)	(423,713)	(211,087)
NON-CONTROLLING INTERESTS	**–**	–	–	–	–
	986,757	968,445	91,352	167,013	434,331