

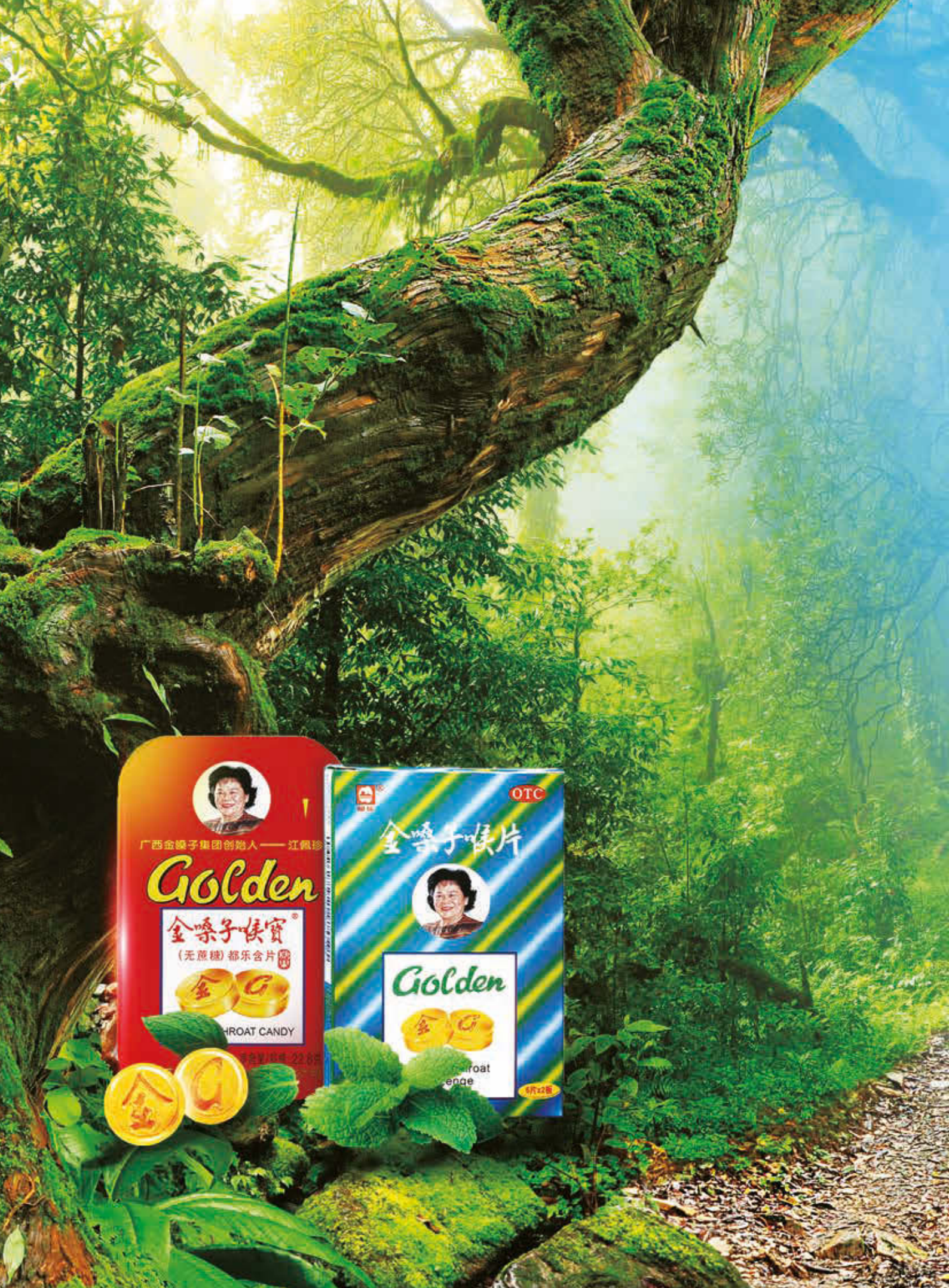


金嗓子控股集團有限公司

GOLDEN THROAT HOLDINGS GROUP COMPANY LIMITED
 (Incorporated in the Cayman Islands with limited liability)
 Stock code: 06896

INTERIM REPORT 2017






广西金嗓子集团创始人——江佩珍

Golden

金嗓子喉寶[®]

(无蔗糖) 都乐含片

金 G

THROAT CANDY

每盒22.8元



OTC

金嗓子喉片



Golden

金 G

throat
candy

每盒22.8元



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COMPANY PROFILE



Golden Throat Holdings Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) is a leading manufacturer of lozenges in China. 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.

* For identification purposes only

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

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China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Central
Hong Kong

COMPANY'S WEBSITE

www.goldenthroat.com

STOCK CODE

06896

CORPORATE INFORMATION (CONTINUED)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANK

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services
Limited
Shops 1712-1716, 17th Floor
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LEGAL ADVISER

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

AUDITOR

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

FINANCIAL HIGHLIGHTS

- Revenue decreased by RMB135.0 million or 36.4% to RMB235.6 million, as compared to the six months ended 30 June 2016.
- Gross profit decreased by RMB92.0 million or 35.6% to RMB166.4 million, as compared to the six months ended 30 June 2016.
- Earnings before interest, taxes, depreciation and amortisation decreased by RMB99.9 million or 77.0% to RMB29.9 million, as compared to the six months ended 30 June 2016.
- Profit attributable to equity holders decreased by RMB72.0 million or 78.0% to RMB20.3 million, as compared to the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as of 29 August 2017. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto of the Group for the six months ended 30 June 2017.

DEFINITIONS

“Audit Committee”	the audit committee of the Board, established on 13 February 2015
“Board”	the board of Directors of the Company
“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”	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
“Director(s)”	director(s) of the Company
“Framework Agreement”	a framework agreement on strategic cooperation dated 15 February 2016 entered into between the Company and Jointown
“Golden Throat Company”	廣西金嗓子有限責任公司 (Guangxi Golden Throat Co., Ltd.), a company with limited liability established in China on 18 September 1998 and an indirect wholly-owned subsidiary of the Company





“Golden Throat 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 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 Herbal Vegetable Beverages Series Products”	金嗓子草本植物飲料系列產品, a series of the Group’s new 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 Beverages”	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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Agreement”	the investment agreement entered into between Golden Throat Company, Qifeng, Haode Investment and Golden Throat Food Company on 3 June 2016
“IPO Proceeds”	the net proceeds from the listing of the Company’s shares on the Stock Exchange
“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 Date”	15 July 2015
“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
“Qifeng”	啓豐食品科技(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





“OTC”	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
“PRC” or “China”	the People’s Republic of China, for the purpose of this interim 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
“RMB”	Renminbi, the lawful currency of the PRC
“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
“USD” or “US\$”	United State dollars, the lawful currency of the United States of America

Unless otherwise specified, all numerical figures in this interim report are rounded to one decimal place.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

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 30 June 2017, Golden Throat Lozenges (OTC) has been exported to the United States, Canada, Russia, the European Union, Australia, South Asia and Middle East.

For the six months ended 30 June 2017, the Group's sales of Golden Throat Lozenges (OTC) accounted for 84.7% 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 Golden Throat Lozenge Series Products was launched in 2013 to cater to consumers who prefer sugar-free products.

As of 30 June 2017, Golden Throat Lozenge Series Products were exported to seven countries and regions.

For the six months ended 30 June 2017, the Group's sales of Golden Throat Lozenge Series Products accounted for 10.3% of its total revenue.

Other Products

Sales of the Group's other products accounted for 5.0% of the Group's revenue for the six months ended 30 June 2017. Two of the Group's other products are Yinxingye Tablet (銀杏葉片) and Herbal Vegetable Beverages. 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 research and development. Since 1994, the Group has successfully developed 31 new products for which it has obtained manufacturing permits, amongst which, eight are pharmaceutical products, 21 are food products, one is a health food product and one is medical apparatus product.

The Group's research and development activities are conducted both in-house and through collaborations with external research institutions, such as hospitals, institutes for drug research and other companies. As of 30 June 2017, the Group's research and development team consists of approximately 280 people.

The Group will continue its co-operation with external research 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 RMB60.0 million on research and development activities in the future. For the six months ended 30 June 2017, the Group has incurred RMB1.0 million on research and development 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 30 June 2017, 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 "Brand China – Huapu Award" (品牌中國－華譜獎) by Brand China

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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. In June 2017, it was awarded “Top 100 Enterprise in the Chinese Pharmaceutical Manufacturing Industry” (中國醫藥製造業百強企業) in the 2016 List of the Most Influential Enterprises in the Chinese Pharmaceutical Industry (2016 年度中國醫藥行業最具影響力榜單) by All-China Federation of Industry and Commerce Medical Pharmaceutical Chamber as well as the “2017 Forbes China Up-and-Comers List: Best Listed Companies Category” (2017福布斯中國上市公司潛力企業榜).

Distribution Network

The Group has established an extensive and structured sales and distribution network throughout China for its (i) over-the-counter medicines, (ii) food products and (iii) prescription medicines and medical apparatus. For the six months ended 30 June 2017, substantially all of the Group’s revenue was generated from sales to distributors. Currently, the policy of “two-invoice system” is implemented for the pharmaceutical industry in China with an aim to reduce the number of layers of distributors between pharmaceutical manufacturers and medical institutions. As the promotion of “two-invoice system” for pharmaceuticals has been recently expanded from some of the pilot provinces to the whole China and has brought a substantial impact on the drug distribution market, the Group has, in this regard, adjusted the operation policy and the structure of distributors and promoters in the first half of 2017. At the same time, the Group actively responded to the impact caused by the implementation of “two-invoice system” and expanded both the sales network at the county level and the sub-distributors network in a view to improve the results in the future.

As of 30 June 2017, the Group’s distribution network with over 330 distributors directly engaged by it and covering all the provinces, autonomous regions and municipal cities throughout China had been further expanded and promoted to the county level. 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 engaged Golden Throat Import & Export Company and local distributors to sell its products to overseas markets.

As disclosed in the Company’s announcement dated 16 February 2016, the Company has entered into the Framework Agreement 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 the mainland China 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.

Promoters

As of 30 June 2017, the Group had 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.

Future Expansion and Upgrading Plan

For the second half of 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 has commenced its strategic expansion into new geographic markets such as Qinghai, Jilin and Inner Mongolia through the establishment of its refined distribution network back in 2013 and will continue both to expand into new markets and further penetrate 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 a well-known 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 mainly been advertising 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 date of this interim report, the majority of construction of workshops and plants 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 production 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 base in Laibin, Guangxi Zhuang Autonomous Region will be used to establish a Chinese herbs processing base.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2017, the Group's revenue amounted to approximately RMB235.6 million, as compared to RMB370.6 million for the six months ended 30 June 2016, representing a decrease of approximately RMB135.0 million, or 36.4%. The decrease is mainly attributable to the decrease in sales volume of Golden Throat Lozenges (OTC).

For the six months ended 30 June 2017, the Group's revenue from sales of Golden Throat Lozenges (OTC) amounted to RMB199.6 million, as compared to RMB326.7 million for the six months ended 30 June 2016, representing a decrease of approximately RMB127.1 million, or 38.9%. The Group's revenue from sales of Golden Throat Lozenges (OTC) for the six months ended 30 June 2017 decreased as compared to the corresponding period in 2016. This was primarily because the policy of "two-invoice system" is currently implemented for the pharmaceutical industry in China with an aim to reduce the number of layers of distributors between pharmaceutical manufacturers and medical institutions. As the promotion of "two-invoice system" for pharmaceuticals has been recently expanded from some of the pilot provinces to the whole China and has brought a substantial impact on the drug distribution market, the Group has, in this regard, adjusted the operation policy and the structure of distributors and promoters in the first half of 2017, which resulted in a short-term negative impact on the sales revenue of the Company.

For the six months ended 30 June 2017, the Group's revenue from sales of Golden Throat Lozenge Series Products amounted to RMB24.4 million, as compared to RMB20.9 million for the six months ended 30 June 2016, representing an increase of approximately RMB3.5 million, or 16.7%, primarily because the Group had strengthened its promotional efforts and distribution network for its Golden Throat Lozenge Series Products.

For the six months ended 30 June 2017, the Group's revenue from sales of other products amounted to RMB11.6 million, as compared to RMB23.0 million for the six months ended 30 June 2016, representing a decrease of approximately RMB11.4 million, or 49.6%. This was primarily because of the decrease in the Group's sales volume of Yinxingye Tablet for the six months ended 30 June 2017 as compared to the corresponding period in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

	For the six months ended 30 June 2017					
	Sales volume boxes'000	Revenue RMB'000	Cost RMB'000	Gross margin %	Unit price RMB	Unit cost RMB
Golden Throat Lozenges (OTC)	35,198	199,593	50,493	74.70	5.67	1.43
Golden Throat Lozenge Series Products	5,103	24,372	9,339	61.68	4.78	1.83

	For the six months ended 30 June 2016					
	Sales volume boxes'000	Revenue RMB'000	Cost RMB'000	Gross margin %	Unit price RMB	Unit cost RMB
Golden Throat Lozenges (OTC)	56,293	326,677	70,732	78.35	5.80	1.26
Golden Throat Lozenge Series Products	4,697	20,924	7,077	66.18	4.45	1.51

Cost of Sales

The Group's cost of sales consists primarily of cost of packaging materials, labor costs, cost of raw materials, write-down of inventories to net realisable value, 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 decreased from approximately RMB112.3 million for the six months ended 30 June 2016 to approximately RMB69.2 million for the six months ended 30 June 2017, which accounted for approximately 29.4% of the Group's total revenue for the same period. The decrease in the Group's cost of sales for the six months ended 30 June 2017 was mainly attributable to the decrease in sales volume of Golden Throat Lozenges (OTC).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	RMB'000	% of total	RMB'000	% of total
Packaging materials	29,386	42.5%	39,783	35.4%
Raw materials	15,934	23.0%	19,983	17.8%
Labor costs	16,447	23.8%	22,925	20.4%
Write-down of inventories to net realisable value	15	0.0%	16,382	14.6%
Depreciation	1,581	2.3%	2,121	1.9%
Entrusted processing fees	253	0.4%	1,134	1.0%
Other costs	5,571	8.0%	9,929	8.9%
Total	69,187	100.0%	112,257	100.0%

Gross Profit

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

For the six months ended 30 June 2017, the Group's gross profit decreased to RMB166.4 million, as compared to RMB258.4 million for the six months ended 30 June 2016. The decrease in the Group's gross profit was mainly due to the decrease in revenue. The Group's gross profit margin increased to 70.6% for the six months ended 30 June 2017 from 69.7% for the corresponding period of 2016.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income and exchange gains. For the six months ended 30 June 2017, the Group's other income and gains increased to RMB12.1 million, as compared to RMB12.0 million for the six months ended 30 June 2016, representing no substantial changes with an increase of approximately RMB0.1 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of (i) advertising expenses, (ii) promotion expenses, (iii) transportation expenses, (iv) employee benefit expenses, (v) travel and office expenses, (vi) marketing expenses, and (vii) other miscellaneous expenses. For the six months ended 30 June 2017, the Group's selling and distribution expenses amounted to approximately RMB118.8 million, as compared to RMB108.9 million for the six months ended 30 June 2016, representing an increase of approximately RMB9.9 million, or 9.1%. Since the Herbal Vegetable Beverages of the Group was not launched until May 2016, the advertising expenses in relation to the Herbal Vegetable Beverages for the period ended 30 June 2016 were lower than the advertising expenses of the corresponding period in 2017.

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 six months ended 30 June 2017, the Group's administrative expenses amounted to approximately RMB29.6 million, as compared to RMB28.6 million for the six months ended 30 June 2016, representing an increase of approximately RMB1.0 million, or 3.5%. The increase was mainly attributable to the increase in the Group's personnel costs during the six months ended 30 June 2017 as compared to the corresponding period in 2016.

Other Expenses

The Group's other expenses primarily consisted of its (i) donations for charity purposes, (ii) investment losses, and (iii) exchange losses. For the six months ended 30 June 2017, the Group's other expenses amounted to approximately RMB3.4 million, as compared to RMB6.4 million for the six months ended 30 June 2016, representing a decrease of approximately RMB3.0 million. The decrease was mainly because the Group recorded exchange losses arising from exchange rate fluctuations during the six months ended 30 June 2016 and there were exchange gains arising from exchange rate fluctuations during the six months ended 30 June 2017.

Finance Costs

For the six months ended 30 June 2017, the Group's finance costs amounted to RMB2.2 million, as compared to RMB2.6 million for the six months ended 30 June 2016, representing a decrease of approximately RMB0.4 million, or 15.4%. The decrease was mainly due to the decrease in the Group's bank borrowings during the six months ended 30 June 2017 as compared to the corresponding period in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Income Tax Expense

For the six months ended 30 June 2017, the Group's income tax expense amounted to RMB4.2 million, as compared to RMB31.6 million for the six months ended 30 June 2016, representing a decrease of RMB27.4 million, or 86.7%. The effective tax rate for the six months ended 30 June 2017 and the corresponding period of 2016 was 17.0% and 25.5%, respectively. The decrease in income tax expense was mainly attributable to the decrease in revenue, and the decrease in effective tax rate was mainly attributable to the fact that the Group enjoys the new preferential policy for pre-tax deduction of advertising expenses and business promotion expenses of pharmaceutical manufacturers in the current period, while the Group could not enjoy such preferential policy since it has not been issued in the corresponding period of 2016.

Net Profit

The Group's net profit for the six months ended 30 June 2017 was approximately RMB20.3 million, as compared to RMB92.3 million for the six months ended 30 June 2016, representing a decrease of approximately RMB72.0 million, or 78.0%. The decrease in the Group's net profit was mainly due to the decrease in revenue. For the reasons of decrease in revenue, please refer to the section headed "Revenue" above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As of 30 June 2017, the Group had net current assets of approximately RMB813.2 million, as compared to RMB857.9 million as of 31 December 2016. The current ratio of the Group increased to approximately 3.5 as of 30 June 2017 from 3.0 as of 31 December 2016. The decrease in net current assets was mainly attributable to the distribution of final dividend for 2016 in the current period.

Borrowings and the Pledge of Assets

As of 30 June 2017, the Group had an aggregate interest-bearing bank borrowings of approximately RMB116.0 million, as compared to approximately RMB66.0 million as of 31 December 2016. All the bank borrowings are repayable within one year. Compared with 31 December 2016, the increase in bank borrowings was for the purpose of replenishing the working capital required for the Group.

All of the Group's bank borrowings for the six months ended 30 June 2017 were at fixed interest rates. For details of such borrowings, please refer to Note 15 of the Group's interim condensed consolidated financial statements below.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 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 RMB36.9 million was pledged to secure bank loans as of 30 June 2017, as compared to RMB16.7 million as of 31 December 2016.

Certain of the Group's buildings with an aggregate net carrying value of RMB1.5 million was pledged to secure bank loans as of 30 June 2017, as compared to RMB1.6 million as of 31 December 2016.

Gearing Ratio

As of 30 June 2017, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to approximately 12.1% from approximately 6.7% as of 31 December 2016. The increase was primarily attributable to the Group's increased bank borrowings from RMB66.0 million as of 31 December 2016 to RMB116.0 million as of 30 June 2017 and decreased total equity from RMB986.8 million as of 31 December 2016 to RMB961.6 million as of 30 June 2017 as a result of the Group's distribution of final dividend for 2016 as of 30 June 2017.

Contingent Liabilities

As of 30 June 2017, 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 deposit and available-for-sale investments denominated in HKD and USD, amounting to HK\$59.7 million and US\$48.7 million as of 30 June 2017, respectively. 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 wealth management products. As of 30 June 2017, the Company did not hold any wealth management products.

For the six months ended 30 June 2017, the Group did not use any financial instrument to hedge its foreign exchange risk.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND EMOLUMENTS POLICY

As of 30 June 2017, the Group employed a total of 999 full-time employees, as compared to a total of 1,071 full-time employees as of 30 June 2016. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB32.0 million for the six months ended 30 June 2017 as compared to RMB31.5 million for the corresponding period in 2016. 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. With respect to trainings, the Company proactively arranges its employees to study the newly-promulgated laws and regulations in the PRC so as to ensure that products produced by the Group are in compliance with the laws and regulations. The Group 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 the Group.

SIGNIFICANT INVESTMENTS HELD

For the six months ended 30 June 2017, save as disclosed below, the Group did not have any significant investments nor did it make any material acquisition or disposal of subsidiaries, associates or joint ventures.

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 interim 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 30 June 2017, the Group committed to invest approximately RMB68.0 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. For details of such commitment, please refer to Note 16 of the Group's interim condensed consolidated financial statements below. Save as mentioned above, the Group currently does not have other plans for material investments or capital assets.

SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

There was no event causing significant impact on the Group since 30 June 2017.

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, expand its product portfolio and strengthen 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 efforts. Furthermore, the Group will continue to expand its distribution network, to refine associated infrastructure and to leverage on existing distribution network to market different products.

INTERIM DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2017.

CORPORATE GOVERNANCE/OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. Except as disclosed below, the Company had complied with all the applicable code provisions set out in the CG Code during the six months ended 30 June 2017.

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. According to the CG Code, where an issuer considers a more suitable alternative to a code provision exists, it should adopt it and give reasons. The Company did not arrange any insurance cover. 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.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. After having made specific enquiry to all Directors, the Company confirmed that all of the Directors had complied with the required standards set out in the Model Code during the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries for the six months ended 30 June 2017.

USE OF NET PROCEEDS FROM LISTING

The IPO Proceeds (including those shares issued pursuant to the partial exercise of the over-allotment option), after deducting underwriting fees and related expenses, amounted to approximately HK\$909.6 million, which 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 of 30 June 2017, there was no change to the intended use of the IPO Proceeds as disclosed in the Prospectus.

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

From the Listing Date to 30 June 2017, the Group had utilised approximately HK\$387.2 million, representing approximately 42.57% of the IPO Proceeds. Set out below is a summary of the IPO Proceeds utilised:

USE OF IPO PROCEEDS

	Utilised HK\$'000	% of IPO Proceeds
Construction in Luowei Industrial Concentration Area	48,061	5.28
Conversion of headquarters	–	–
Market expansion	238,014	26.17
Product development	5,747	0.63
Establishment of Chinese herbs processing base	–	–
Refinement and upgrade of electronic code system	4,444	0.49
General working capital	90,960	10.00

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed together with the Board the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017. The Audit Committee has also reviewed the effectiveness of the Group's risk management and internal control systems and considers such systems in place to be effective and adequate.

The interim results for the six months ended 30 June 2017 are unaudited.

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

As of 30 June 2017, 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) required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

Long positions in the Shares, underlying Shares and debentures of the Company:

Name of Directors	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares
Mr. ZENG Yong ⁽³⁾	Founder of a discretionary trust Beneficial owner	511,903,200 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 of 30 June 2017.
- (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 holds or controls 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 holds or controls 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.

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

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

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

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

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

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

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

Save as disclosed above, as of 30 June 2017, so far as was known to Directors 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) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No rights to acquire benefits by means of the acquisition of Shares or debentures of the Company were granted by the Company to any Director or his/her 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 any Director, or his/her respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the six months ended 30 June 2017.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 8 June 2017. From the date of the adoption of options to 30 June 2017, no share option had been granted, exercised, cancelled or lapsed under the Share Option Scheme and there are no outstanding share options. Terms used in this section headed “Share Option Scheme” have the meanings prescribed to them in the circular of the Company dated 28 April 2017. Set out below is a summary of the principal terms of the Share Option Scheme:

1. PURPOSE

The purpose of the Share Option Scheme is to enable the Board to grant Options to selected Participants as incentives or rewards for their contribution or potential contribution to the development and growth of the Group.

2. WHO MAY JOIN AND BASIS OF ELIGIBILITY

The Board may offer to grant an Option to any Participant who has had contribution to the Group to subscribe for such number of Shares at the Option Price, subject always to any limits and restrictions specified in the Rules.

3. PAYMENT ON ACCEPTANCE OF OPTION OFFER

A Participant shall pay the Company HK\$1.00 for the grant of an Option on acceptance of an Option offer within 21 days after the Offer Date.

4. TERMS OF OPTIONS

Options granted under the Share Option Scheme are subject to such terms and conditions as may be determined by the Board at its absolute discretion and specified in the offer of an Option, which terms and conditions may include, among others:

- (A) vesting conditions which must be satisfied before an Option-Holder’s Option shall become vested and capable of being exercised; and
- (B) the Board may, in its absolute discretion, specify performance conditions that must be achieved before an Option can be exercised and/or the minimum period for which an Option must be held before it can be exercised.

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

These provisions will give the Board flexibility to impose conditions suitable for fulfilling the various purposes of the Share Option Scheme. Apart from this general discretion of the Board, the Rules do not contain specific provisions on the minimum period during which an Option must be held before exercise or on performance targets applicable to Options.

Under the Share Option Scheme, the Directors have discretion to set a minimum period for which an option has to be held before the exercise of the subscription rights attaching thereto. This discretion allows the Directors to provide incentive to eligible Participants to remain as eligible Participants and thereby enable the Group to continue to benefit from the services and contributions of the eligible Participants. This discretion, coupled with the power of the Directors to impose any performance target or other restrictions as they consider appropriate before the option can be exercised, enable the Group to provide incentives to the Participants to use their best endeavours in assisting the growth and development of the Group. Although the Share Option Scheme does not provide for the granting of options with rights to subscribe for Shares at a discount to the traded prices of the Shares on the Stock Exchange, the Directors are of the view that the flexibility given to the Directors in granting Options to the Participants and to impose minimum period for which the options can be exercised will place the Group in a better position to attract talents that are valuable to the growth and development of the Group as a whole.

5. OPTION PRICE

The Option Price will be determined by the Board at its absolute discretion and notified to an Option-holder. The minimum Option Price shall not be less than the highest of:

- (A) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date;
- (B) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the Offer Date; and
- (C) the nominal value of the Shares.

6. MAXIMUM NUMBER OF SHARES SUBJECT TO THE SHARE OPTION SCHEME

6.1 The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any options to be granted under any Other Schemes must not in aggregate exceed 10% (i.e. 73,930,200 Shares) of the aggregate of the Shares in issue as at the date of approval of the Share Option Scheme, representing 10% of the Shares in issue as at the date of this interim report.

Options lapsed in accordance with the terms of the Share Option Scheme and any Other Schemes will not be counted for the purpose of calculating the 10% limit in this paragraph 6.1.

6.2 With the approval of the Shareholders in general meeting, the Board may “refresh” the 10% limit under paragraph 6.1 (and may further refresh such limit in accordance with this paragraph), provided that the total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and any Other Schemes under the limit as “refreshed” shall not exceed 10% of the Shares in issue as at the date on which the Shareholders approve the “refreshed” limit.

Options previously granted under the Share Option Scheme and options granted under any Other Schemes (including those outstanding, cancelled and lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”.

6.3 The Board may, with the approval of the Shareholders in general meeting, grant Options in excess of the 10% limit to Participants specifically identified. In such situation, the Company will send a circular to the Shareholders containing, amongst others, a generic description of the specified Participants who may be granted such Options, the number and terms of such Options to be granted and the purpose of granting such Options to the specified Participants with an explanation of how the terms of the Options will serve the purpose.

6.4 The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and all outstanding Options granted and yet to be exercised under any Other Schemes shall not exceed 30% of the Shares in issue from time to time. No Options may be granted under the Share Option Scheme and no options may be granted under any Other Schemes if this will result in the limit being exceeded.

7. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

The Board shall not grant any Options to any Participant which, if exercised, would result in such Participant becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all Options granted to him (including those options exercised or outstanding) in any 12-month period exceed 1% of the Shares in issue at such date.

The Board may grant Options to any Participant in excess of the individual limit of 1% in any 12-month period with the approval of the Shareholders in general meeting (with such Participant and his/her close associates (or his associates if the Participant is a connected person) abstaining from voting). In such situation, the Company will send a circular to the Shareholders and the circular must disclose, amongst others, the identity of the Participant, the number and terms of the options to be granted (and previously granted to such Participant).

8. TIME OF EXERCISE OF OPTIONS

An Option under the Share Option Scheme which is vested and has not lapsed may be exercised at any time during such period notified by the Board as not exceeding 10 years from the Offer Date. The exercise of Options may also be subject to any conditions imposed by the Board at the time of Offer.

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

As of 30 June 2017, to the knowledge of the Directors, the interests or short positions of the following persons (other than the Directors or the general manager of the Company, whose interests are disclosed on page 24 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 were as follows:

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 of 30 June 2017.
- (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 the entire issued share capital of Jin Jiang Global, which in turn holds the entire 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 the entire 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.

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

Save as disclosed above, as of 30 June 2017, the Directors of the Company are not aware of, and had not been notified by, any other person (excluding the Directors or the general manager of the Company, whose interests are disclosed on page 24 above) who has interests or short positions in the Shares or underlying Shares of the Company, which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of SFO, or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

Guangxi, the PRC, 29 August 2017

* *For identification purpose only*

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June

	Notes	2017 Unaudited RMB'000	2016 Unaudited RMB'000
REVENUE	5	235,554	370,638
Cost of sales		(69,187)	(112,257)
Gross profit		166,367	258,381
Other income and gains	5	12,137	12,035
Selling and distribution expenses		(118,806)	(108,940)
Administrative expenses		(29,575)	(28,600)
Other expenses		(3,449)	(6,432)
Finance costs		(2,173)	(2,590)
PROFIT BEFORE TAX	6	24,501	123,854
Income tax expense	7	(4,167)	(31,586)
PROFIT FOR THE PERIOD		20,334	92,268
Attributable to:			
Owners of the parent		20,334	92,268
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted			
– For profit for the period	9	RMB3 cents	RMB12 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June

	2017 Unaudited RMB'000	2016 Unaudited RMB'000
PROFIT FOR THE PERIOD	20,334	92,268
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	10,705	(471)
Exchange differences:		
Exchange differences on translation of foreign operations	(17,129)	11,374
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(6,424)	10,903
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	13,910	103,171
Attributable to:		
Owners of the parent	13,910	103,171

Interim Condensed Consolidated Statement of Financial Position

As at

	Notes	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	73,948	55,621
Advance payments for property, plant and equipment		1,193	452
Prepaid land lease payments		39,314	39,815
Prepayments, deposits and other receivables		22,768	26,764
Deferred tax assets		14,359	13,918
Total non-current assets		151,582	136,570
CURRENT ASSETS			
Inventories		70,856	42,623
Trade and bills receivables	11	307,523	475,733
Prepayments, deposits and other receivables		120,042	84,200
Due from related parties	17(c)(i)	3,608	3,705
Available-for-sale investments	12	18	314,985
Cash and cash equivalents	13	637,164	374,596
Total current assets		1,139,211	1,295,842
CURRENT LIABILITIES			
Trade payables	14	7,374	15,155
Other payables and accruals		167,167	235,557
Interest-bearing bank borrowings	15	116,000	66,000
Due to a director	17(c)(ii)	229	236
Tax payable		34,901	80,902
Government grants		366	366
Dividend payable		–	39,679
Total current liabilities		326,037	437,895
NET CURRENT ASSETS		813,174	857,947
TOTAL ASSETS LESS CURRENT LIABILITIES		964,756	994,517

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	964,756	994,517
NON-CURRENT LIABILITIES		
Other payables and accruals	1,265	1,234
Government grants	1,913	2,096
Deferred tax liabilities	–	4,430
Total non-current liabilities	3,178	7,760
Net assets	961,578	986,757
EQUITY		
Equity attributable to owners of the parent		
Share capital	113	113
Share premium	675,410	675,410
Reserves	286,055	311,234
Total equity	961,578	986,757

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Note	Attributable to owners of the parent								
		Share capital RMB'000	Share premium account RMB'000	Capital reserves RMB'000	Statutory and other surplus reserves RMB'000	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 2017		113	675,410	8,952	112,443	(24)	50,480	(10,772)	150,155	986,757
Profit for the period		-	-	-	-	-	-	-	20,334	20,334
Other comprehensive income for the period:										
Changes in fair value of available-for-sale investments, net of tax		-	-	-	-	-	-	10,705	-	10,705
Exchange differences on translation of foreign operations		-	-	-	-	-	(17,129)	-	-	(17,129)
Total comprehensive income for the period		-	-	-	-	-	(17,129)	10,705	20,334	13,910
Final 2016 dividend declared	8	-	-	-	-	-	-	-	(39,089)	(39,089)
At 30 June 2017 (Unaudited)		113	675,410	8,952	112,443	(24)	33,351	(67)	131,400	961,578

For the six months ended 30 June 2016

	Note	Attributable to owners of the parent								
		Share capital RMB'000	Share premium account RMB'000	Capital reserves RMB'000	Statutory and other surplus reserves RMB'000	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 2016		115	711,364	8,952	78,534	(24)	10,996	-	158,508	968,445
Profit for the period		-	-	-	-	-	-	-	92,268	92,268
Other comprehensive income for the period:										
Changes in fair value of available-for-sale investments, net of tax		-	-	-	-	-	-	(471)	-	(471)
Exchange differences on translation of foreign operations		-	-	-	-	-	11,374	-	-	11,374
Total comprehensive income for the period		-	-	-	-	-	11,374	(471)	92,268	103,171
Final 2015 dividend declared	8	-	-	-	-	-	-	-	(38,039)	(38,039)
At 30 June 2016 (Unaudited)		115	711,364	8,952	78,534	(24)	22,370	(471)	212,737	1,033,577

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	Notes	2017 Unaudited RMB'000	2016 Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		24,501	123,854
Adjustments for:			
Finance costs		2,173	2,590
Bank interest income	5	(959)	(3,745)
Depreciation of items of property, plant and equipment	6	2,766	2,885
Amortisation of prepaid land lease payments	6	501	501
Recognition of government grants		(183)	(183)
Investment loss/(income) from available-for-sale investments	6	3,171	(3,899)
Foreign exchange differences, net	6	(6,179)	6,147
Reversal of impairment of trade receivables	6	–	(549)
Write-down of inventories to net realisable value	6	15	16,382
		25,806	143,983
Increase in inventories		(28,248)	(34,541)
Decrease in trade and bills receivables		168,210	8,783
Increase in prepayments, deposits and other receivables		(35,657)	(156,705)
(Increase)/decrease in amounts due from related parties		(11)	457
(Decrease)/increase in trade payables		(7,781)	3,643
Increase in amount due to a director		–	130
Decrease in other payables and accruals		(54,686)	(68,438)
		67,633	(102,688)
Cash generated from/(used in) operations		67,633	(102,688)
Interest received		959	3,195
Interest paid		(2,173)	(2,590)
Income tax paid		(55,137)	(39,220)
		(11,282)	(141,303)
Net cash flows used in operating activities		(11,282)	(141,303)

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June

	Notes	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Net cash flows used in operating activities		(11,282)	(141,303)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(36,654)	(5,262)
Purchases of available-for-sale investments		(617,548)	(538,613)
Proceeds from disposal of available-for-sale investments		940,895	139,907
Net cash flows from/(used in) investing activities		286,693	(403,968)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		564,009	1,417,396
Repayment of bank loans		(514,672)	(1,306,530)
Decrease in amounts due to related parties		–	(25)
Increase in other payables and accruals		1,147	6,000
Dividends paid		(78,062)	(38,039)
Net cash flows (used in)/from financing activities		(27,578)	78,802
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		374,596	754,664
Effect of foreign exchange rate changes, net		(7,829)	(2,954)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		637,164	285,241
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	432,014	285,241
Non-pledged time deposits with original maturity of less than three months when acquired	13	205,150	–
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position		637,164	285,241

Notes to the Interim Condensed Consolidated Financial Statements

1. CORPORATE 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.

The Group is 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.

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

2. BASIS OF PREPARATION

The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The unaudited interim condensed consolidated financial statements 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 RMB and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

4. OPERATING SEGMENT INFORMATION

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and net of value added tax and government surcharges.

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

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue		
Sale of goods	235,554	370,638
Other income		
Government grants	4,668	3,764
Bank interest income	959	3,745
Investment income from available-for-sale investments	–	3,899
Others	331	627
	5,958	12,035
Gains		
Foreign exchange differences, net	6,179	–
	12,137	12,035

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold	69,187	112,257
Depreciation of items of property, plant and equipment	2,766	2,885
Amortisation of land lease payments	501	501
Research and development costs	984	844
Minimum lease payments under operating leases	1,606	956
Auditor's remuneration	–	778
Investment loss/(income) from available-for-sale investments	3,171	(3,899)
Government grants	(4,668)	(3,764)
Bank interest income	(959)	(3,745)
Foreign exchange differences, net	(6,179)	6,147
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	23,486	26,628
Pension scheme contributions	3,911	4,335
Staff welfare expenses	5,485	7,161
	32,882	38,124
Donation	7	158
Reversal of impairment of trade receivables	–	(549)
Write-down of inventories to net realisable value	15	16,382

7. INCOME TAX

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

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

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Current tax:		
Charge for the period	4,608	20,374
Deferred tax	(441)	11,212
Total tax charge for the period	4,167	31,586

8. DIVIDENDS

A final dividend of HK6 cents per ordinary share for the year ended 31 December 2016 of RMB39,089,000 was approved by shareholders on 8 June 2017 and paid on 22 June 2017.

The Board did not declare any interim dividend for the six months ended 30 June 2017 (the six month ended 30 June 2016: Nil).

9. 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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

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

	Six months ended 30 June	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	20,334	92,268
	Number of shares Six months ended 30 June	
	2017 Unaudited	2016 Unaudited
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	739,302,000	749,183,000

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired assets with a cost of RMB21,094,000 (the six months ended 30 June 2016: RMB5,036,000).

No asset was disposed of by the Group during the six months ended 30 June 2017 (the six months ended 30 June 2016: Nil), and no loss or gain recognised on disposal (the six months ended 30 June 2016: Nil).

11. TRADE AND BILLS RECEIVABLES

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Trade receivables	83,689	148,324
Bills receivable	224,780	328,355
	308,469	476,679
Impairment	(946)	(946)
	307,523	475,733

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

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

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Less than 3 months	55,771	138,013
3 to 6 months	9,052	3,422
6 to 12 months	16,841	5,753
1 to 2 years	1,006	149
Over 2 years	73	41
	82,743	147,378

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Listed equity investments, at fair value (<i>note a</i>)	18	27
Corporate bonds and notes, at fair value (<i>note b</i>)	–	314,958
	18	314,985

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 3.19% to 6.75%, which have been disposed as at the end of the reporting period.

13. CASH AND CASH EQUIVALENTS

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Cash and bank balances	432,014	374,596
Time deposits	205,150	–
Cash and cash equivalents	637,164	374,596

14. TRADE PAYABLES

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Trade payables	7,374	15,155

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

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Less than 3 months	3,311	3,921
3 to 6 months	2,751	6,537
6 to 12 months	35	3,395
1 to 2 years	3	35
Over 2 years	1,274	1,267
	7,374	15,155

Included in the trade payables are no trade payables (31 December 2016: RMB218,000) due to Guangxi Weikete Biological Technology Co., Ltd., an entity ultimately controlled by a director. Those trade payables are repayable within 30 days, which represents credit terms similar to those offered by the related party to its major customers.

15. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Current				
Bank loans – secured	4.35	Within 1 year	56,000	36,000
Bank loans – unsecured	4.35	Within 1 year	60,000	30,000
			116,000	66,000
Analysed into:				
Bank loans repayable: Within one year or on demand			116,000	66,000

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 RMB36,899,000 (31 December 2016: RMB16,698,000); 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 RMB1,501,000 (31 December 2016: RMB1,573,000).

A director of the Company, Jiang Peizhen, has guaranteed certain of the Group's bank loans up to RMB20,000,000 (31 December 2016: Nil) as at the end of the reporting period (note 17(b)).

16. COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Contracted, but not provided for:		
Land and buildings	68,191	85,800

17. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with related parties during the reporting period:

	Notes	Six months ended 30 June 2017 Unaudited RMB'000	2016 Unaudited RMB'000
An entity ultimately controlled by a director			
Guangxi Weikete Biological Technology Co., Ltd.			
Purchases of products	(i)	1,204	3,429
Guangxi Peizhen Investment Consulting Co., Ltd. ("Peizhen Investment")			
Advance given to	(ii)	11	–

Notes:

- (i) The purchases from a related party were made according to the published prices and conditions offered by the related party to their major customers.
- (ii) The advance to a related party was unsecured, non-interest-bearing and payable on demand.

17. RELATED PARTY TRANSACTIONS (Continued)

- (b) Other transactions with related parties:

A director of the Company, Jiang Peizhen, has guaranteed certain of the Group's bank loans up to RMB20,000,000 (31 December 2016: Nil) as at the end of the reporting period (note 15).

- (c) Outstanding balances with related parties:

(i) The Group had an outstanding balance due from related parties of RMB3,608,000 (31 December 2016: RMB3,705,000) as at the end of the reporting period. Out of the outstanding balance, RMB3,521,000 is unsecured, non-interest-bearing and payable on demand. The remaining outstanding balance of RMB87,000 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 RMB229,000 (31 December 2016: RMB236,000) as at the end of the reporting period. The balance is unsecured, non-interest-bearing and repayable on demand.

(iii) Details of the Group's trade balances with its related parties as at the end of the reporting period are disclosed in note 14 to the interim condensed consolidated financial statements.

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

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Short-term employee benefits	3,354	4,086
Pension scheme contributions	165	186
Total compensation paid to key management	3,519	4,272

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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 related parties and a director 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 30 June 2017, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors once a year for annual financial reporting.

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

The fair values of listed equity investments are based on quoted market prices. The fair values of debt securities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for available-for-sale investments as at the end of each of the reporting period was assessed to be insignificant.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2017 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments	18	–	–	18

As at 31 December 2016 (Audited)

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

The Group did not have any financial liabilities measured at fair value as at 30 June 2017 and 31 December 2016.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (31 December 2016: Nil).