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

2018
INTERIM REPORT


金嗓子®
草本植物饮料
金嗓子
草本植物饮料
净含量:300mL
金嗓子喉宝荣誉出品

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 December 2017, the Group's flagship product, Golden Throat Lozenges (OTC) was awarded No. 1 amongst Chinese traditional medicines (Throat) in 2017 by China Nonprescription Medicines Association. 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 modern integrated 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

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COMPANY'S WEBSITE

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STOCK CODE

06896

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HONG KONG SHARE REGISTRAR

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LEGAL ADVISER

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Central, Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
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Central, Hong Kong

PRINCIPAL BANK

Agricultural Bank of China Limited
Liuzhou Lixin Sub-branch
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Guangxi Zhuang Autonomous Region
China

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2018:

- Revenue increased by approximately RMB53.8 million or 22.8% to approximately RMB289.4 million, as compared to the six months ended 30 June 2017.

- Gross profit increased by approximately RMB46.1 million or 27.7% to approximately RMB212.5 million, as compared to the six months ended 30 June 2017.

- Earnings before interest, taxes, depreciation and amortisation increased by approximately RMB19.0 million or 63.5% to approximately RMB48.9 million, as compared to the six months ended 30 June 2017.

- Profit attributable to equity holders of the Company increased by approximately RMB8.4 million or 41.4% to approximately RMB28.7 million, as compared to the six months ended 30 June 2017.

DEFINITIONS

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

"ASEAN"	Association of Southeast Asian Nations
"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 Herbal Vegetable Beverages Series 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 products and approved as a type of food
"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)"	Golden Throat Lozenges (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"	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
"Group"	the Company and its subsidiaries
"Herbal Vegetable Beverages"	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
"IPO Proceeds"	the net proceeds from the listing of the Shares on the Stock Exchange
"Jointown"	Jointown Pharmaceutical Group Co., Ltd. (九州通醫藥集團股份有限公司), 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
"OTC"	pharmaceutical products which may, upon receiving the CFDA's 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 Hong Kong, the Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus of the Company dated 30 June 2015 in respect of the global offering of the Shares
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary shares in the capital of the Company with a nominal value of US$0.000025 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States"	the United States of America, its territories, its possessions and all its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as at 30 August 2018. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and the notes thereto of the Group for the six months ended 30 June 2018.

Unless otherwise specified, all numerical figures in the management discussion and analysis section of this interim report are rounded to one decimal place.

BUSINESS REVIEW

The Group is a leading manufacturer of lozenges in China. In December 2017, the Group's flagship product, Golden Throat Lozenges (OTC) was awarded No. 1 amongst Chinese traditional medicines (Throat) in 2017 by CNMA. Currently, the Group has developed into a modern integrated 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, which include 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 at 30 June 2018, Golden Throat Lozenges (OTC) were exported to the United States, Canada, Russia, the European Union, Australia, Southeast Asia, Middle East, Mexico, Peru and Africa, across five continents of the world.

During the six months ended 30 June 2018, the Group's revenue from the sales of Golden Throat Lozenges (OTC) accounted for 89.6% of its total revenue.

Golden Throat Lozenge Series Products – Food

The Group's other key products are 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, which supplements the Group's original channel and provides consumers with more diversified choices in response to consumer differentiation.

As at 30 June 2018, Golden Throat Lozenge Series Products were exported to eight countries and regions.

For the six months ended 30 June 2018, the Group's revenue from the sales of Golden Throat Lozenge Series Products accounted for 8.7% of its total revenue.

Other Products

Sales of the Group's other products accounted for 1.7% of the Group's revenue for the six months ended 30 June 2018. 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.

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 (including Jinyin Sanqi Capsule (金銀三七膠囊)), 21 are food products, one is a health supplement and one is a 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 at 30 June 2018, the Group's research and development team consisted of approximately 280 people.

The Group will continue to co-operate with external institutions in product research, development and commercialisation with an aim to improving production quality and efficiency. The Group intends to invest an aggregate of approximately RMB60.0 million in research and development activities in the future. For the six months ended 30 June 2018, the Group invested an amount of approximately RMB1.4 million in the 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.

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" (品牌中國一華譜獎) 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. In December 2017, the Group's flagship product, Golden Throat Lozenges (OTC) was awarded No. 1 amongst Chinese traditional medicines (Throat) in 2017 by CNMA. In November 2017, "Golden Throat (金嗓子)" brand was selected as a world famous brand by the China America Branding Strategy Forum. In 2017, the Company was ranked amongst the listed companies on the Forbes China Up-and-Comers List. In August 2018, the Company was awarded Huapu Award at the 12th China Brand Festival.

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. During the six months ended 30 June 2018, substantially all of the Group's revenue was generated from sales to distributors.

As at 30 June 2018, the Group's distribution network had no substantial change, with over 280 distributors directly engaged by it and 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, strengthen communication with its customers and monitoring of the activities of its distributors. In the first half of 2018, the Group restructured its sales system. After reorganisation of the Group's distribution network and delineating distribution areas, the number of sub-distributors will increase. The restructuring of the national channel of Golden Throat Lozenges (OTC) was preliminarily completed in the first half of 2018, while the optimisation of the Company's Two-Invoice System channel has been preliminarily achieved. For the six months ended 30 June 2018, the Group's secured orders increased as compared to the corresponding period in 2017.

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, Middle East, Mexico, Peru and Africa, across five continents of the world. The Group has actively responded to China's top-level strategy – the national "Belt and Road" initiative, of which 10 ASEAN countries play a vital role in its strategy. Up to now, the Company has successfully entered into agency agreements with all of the 10 ASEAN countries, and its products were exported to eight countries, except Vietnam and Laos. In July 2018, the Company established preliminary agent partnership with a Vietnam-based company that imports and sells pharmaceutical and medical care products. The Group has sold its products to the overseas markets through Golden Throat Import & Export Company and local distributors.

As disclosed in the Company's announcement dated 16 February 2016, the Company entered into the Framework Agreement on strategic cooperation on 15 February 2016 with Jointown based on both parties' intention 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 from 1 January 2016 to 31 December 2021.

Promoters

As at 30 June 2018, the Group has entered into certain 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 that the Group can benefit from their facilitation and ongoing feedback of such local markets.

Future Expansion and Upgrading Plan

For 2018, 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. In addition, by evaluating its experience in adjusting the operational policy in 2017, the Group preliminarily completed the restructuring of the national channel of Golden Throat Lozenges (OTC) in the first half of 2018, while the optimisation of the Company's Two-Invoice System channel has been preliminarily achieved.

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 has a 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). As at 30 June 2018, the main external structures of all plants and workshops of a new medicine production and research and development base of the Group located at Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region were completed and its interior decoration works and equipment relocation are being carried out. It is planned that the production line of Golden Throat Lozenges (OTC) will be officially launched after review and acceptance by the end of 2018. 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 2018, the Group's revenue amounted to approximately RMB289.4 million, as compared to approximately RMB235.6 million for the six months ended 30 June 2017, representing an increase of approximately RMB53.8 million, or 22.8%. Such increase was primarily due to the increase in the sales volume of Golden Throat Lozenges (OTC).

For the six months ended 30 June 2018, the Group's revenue generated from sales of Golden Throat Lozenges (OTC) was approximately RMB259.2 million, representing an increase of approximately RMB59.6 million or 29.9% as compared to approximately RMB199.6 million for the six months ended 30 June 2017. Such increase was mainly because the Group preliminarily completed the restructuring of the national channel of Golden Throat Lozenges (OTC) in the first half of 2018, while the optimisation of the Company's Two-Invoice System channel has been preliminarily achieved. Hence, the revenue of the Company from those sales increased in the first half of 2018.

For the six months ended 30 June 2018, the Group's revenue from the sales of the Golden Throat Lozenge Series Products amounted to approximately RMB25.1 million as compared to approximately RMB24.4 million for the six months ended 30 June 2017, representing an increase of approximately RMB0.7 million or 2.9%, remaining stable as compared to the corresponding period of last year.

For the six months ended 30 June 2018, the Group's revenue from sales of other products amounted to approximately RMB5.1 million as compared to approximately RMB11.6 million for the six months ended 30 June 2017, representing a decrease of approximately RMB6.5 million or 56.0%. Such decrease was mainly because of a decrease in the types of pharmaceutical products sold and distributed by the members of the Group for the six months ended 30 June 2018.

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

	For the six months ended 30 June 2018					
	Sales volume boxes'000	Revenue RMB'000	Cost RMB'000	Gross margin %	Unit price RMB	Unit cost RMB
Golden Throat Lozenges (OTC)	**41,886**	**259,181**	**61,970**	**76.09**	**6.19**	**1.48**
Golden Throat Lozenge Series Products	**5,046**	**25,066**	**10,280**	**58.99**	**4.97**	**2.04**

	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

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 increased from approximately RMB69.2 million for the six months ended 30 June 2017 to approximately RMB76.9 million for the six months ended 30 June 2018, which represents approximately 26.6% of the Group's total revenue for the same period. The increase in cost of sales of the Group for the six months ended 30 June 2018 was primarily because of the increase in the sales volume of Golden Throat Lozenges (OTC).

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

	For the six months ended 30 June 2018		For the six months ended 30 June 2017	
	RMB'000	**% of total**	RMB'000	% of total
Packaging materials	**34,625**	**45.0%**	29,386	42.5%
Raw materials	**19,807**	**25.8%**	15,934	23.0%
Labor costs	**15,766**	**20.5%**	16,447	23.8%
Write-down of inventories to net realisable value	**19**	**0.0%**	15	0.0%
Depreciation	**1,736**	**2.3%**	1,581	2.3%
Entrusted processing fee	**–**	**0.0%**	253	0.4%
Other costs	**4,945**	**6.4%**	5,571	8.0%
Total	**76,898**	**100.0%**	69,187	100.0%

Gross Profit

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

For the six months ended 30 June 2018, the Group's gross profit increased to approximately RMB212.5 million, as compared to approximately RMB166.4 million for the six months ended 30 June 2017. The increase in the Group's gross profit was mainly due to the increase in the Group's revenue. The Group's gross profit margin increased to 73.4% for the six months ended 30 June 2018 from 70.6% for the corresponding period of 2017.

Other Income and Gains

The Group's other income and gains mainly comprised government grants and interest income. For the six months ended 30 June 2018, the Group's other income and gains decreased to approximately RMB9.8 million, as compared to approximately RMB12.1 million for the six months ended 30 June 2017, representing a decrease of approximately RMB2.3 million, which was mainly due to the Group's exchange losses arising from the exchange rate fluctuations during the six months ended 30 June 2018 as compared to the Group's exchange gains arising from the exchange rate fluctuations during the six months ended 30 June 2017.

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 2018, the Group's selling and distribution expenses amounted to approximately RMB149.2 million, as compared to approximately RMB118.8 million for the six months ended 30 June 2017, representing an increase of approximately RMB30.4 million, or 25.6%. Such increase was mainly due to the increase in sales expenses paid by the Group in relation to the optimisation of the Company's Two-Invoice System channel for the six months ended 30 June 2018.

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 2018, the Group's administrative expenses amounted to approximately RMB25.8 million, as compared to approximately RMB29.6 million for the six months ended 30 June 2017, representing a decrease of approximately RMB3.8 million, or 12.8%. Such decrease was mainly attributable to the decrease in the salary expenses for the management and administrative personnel and consultancy fee during the six months ended 30 June 2018 as compared to the corresponding period in 2017.

Other Expenses

Other expenses of the Group mainly include (i) investment losses and (ii) exchange losses. For the six months ended 30 June 2018, the Group's other expenses amounted to approximately RMB1.5 million, as compared to approximately RMB3.4 million for the six months ended 30 June 2017, representing a decrease of approximately RMB1.9 million. Such decrease was mainly because the Group incurred an investment loss as a result of the disposal of its debt financial assets during the six months ended 30 June 2017, and such situation did not reoccur during the six months ended 30 June 2018.

Finance Costs

For the six months ended 30 June 2018, the Group's finance costs amounted to approximately RMB2.5 million, as compared to approximately RMB2.2 million for the six months ended 30 June 2017, representing an increase of approximately RMB0.3 million, or 13.6%. The increase was mainly due to the increase in the Group's bank borrowings during the six months ended 30 June 2018 as compared to the corresponding period in 2017.

Income Tax Expense

For the six months ended 30 June 2018, the Group's income tax expense amounted to approximately RMB14.7 million, as compared to approximately RMB4.2 million for the six months ended 30 June 2017, representing an increase of approximately RMB10.5 million, or 250.0%. The effective tax rate for the six months ended 30 June 2018 and the corresponding period of 2017 was 33.9% and 17.0%, respectively. The increase in income tax expense was mainly attributable to the increase in total profit in the current year. The increase in effective tax rate was mainly due to the fact that the Group enjoys pre-tax deduction for its advertisement expenses and business promotion expenses regarding its pharmaceutical production under the new concession policy (which was launched in May 2017) for the year 2018 and in 2017, it could enjoy such deduction retrospectively for the prior year(s).

Net Profit

The Group's net profit for the six months ended 30 June 2018 was approximately RMB28.7 million, as compared to approximately RMB20.3 million for the six months ended 30 June 2017, representing an increase of approximately RMB8.4 million, or 41.4%. The increase in the Group's net profit was mainly due to the increase in the Group's revenue. For the reasons of increase in the Group's revenue, please refer to the section headed "Revenue" above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As at 30 June 2018, the Group had net current assets of approximately RMB649.4 million, as compared to approximately RMB758.2 million as at 31 December 2017. The current ratio of the Group decreased to approximately 2.5 as at 30 June 2018 from 2.8 as at 31 December 2017. The decrease in net current assets was mainly attributable to the increase in the Group's capital used in the construction of Luowei base.

Borrowings and the Pledge of Assets

As at 30 June 2018, the Group had an aggregate interest-bearing bank borrowings of approximately RMB101.0 million, as compared to approximately RMB86.0 million as at 31 December 2017. All the bank borrowings are repayable within one year. As compared with 31 December 2017, 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 2018 were at fixed interest rates. For details of such borrowings, please refer to Note 15 of the Group's interim condensed consolidated financial statements.

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.

As at 30 June 2018, certain of the Group's bank loans were secured by:

(i) mortgages over the Group's bills receivables which had an aggregate net carrying value as at 30 June 2018 of approximately of RMB46,624,000 (31 December 2017: nil); and

(ii) mortgages over certain of the Group's leasehold lands which had an aggregate net carrying value of approximately of RMB36,446,000 as at 31 December 2017; and

(iii) mortgages over certain of the Group's buildings which had an aggregate net carrying value of approximately RMB1,429,000 as at 31 December 2017.

Gearing Ratio

As at 30 June 2018, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to approximately 10.7% from approximately 9.1% as at 31 December 2017. Such increase was primarily attributable to the Group's increased bank borrowings from approximately RMB86.0 million as at 31 December 2017 to approximately RMB101.0 million as at 30 June 2018.

Contingent Liabilities

As at 30 June 2018, there has been no significant change in the contingent liabilities of the Group as compared to its position as at 31 December 2017. For further details, please refer to the announcement of the Company dated 29 March 2018 in relation to the annual results for the year ended 31 December 2017.

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 approximately HK$15.8 million and US$50.0 million as at 30 June 2018, 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.

For the six months ended 30 June 2018, the Group did not use any financial instruments to hedge its foreign exchange risk.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2018, the Group employed a total of 891 full-time employees, as compared to a total of 999 full-time employees as at 30 June 2017. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB26.8 million for the six months ended 30 June 2018 as compared to approximately RMB32.0 million for the corresponding period in 2017. 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 and so forth. All of these are designed to provide support to the technological development and team building of the Group.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

For the six months ended 30 June 2018, the Group did not hold any significant investments or make any material acquisitions or disposals of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2018, the Group committed to invest approximately RMB22.2 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. Such investment will be funded by the IPO Proceeds as set out in the section headed "Use of net proceeds from listing" below. Save as disclosed 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 2018.

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, the Group 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. The Group will aim to enhance its brand recognition through effective and targeted marketing efforts, and will continue to expand its distribution network, to refine associated infrastructure and to leverage on its existing distribution network to promote different products.

USE OF NET PROCEEDS FROM LISTING

The IPO Proceeds (including the additional proceeds 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 at 30 June 2018, there was no change to the intended use of the IPO Proceeds as disclosed in the Prospectus.

From the Listing Date to 30 June 2018, the Group had utilised approximately HK$538.86 million, representing approximately 59.24% 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	148,813	16.36
Conversion of headquarters	–	–
Market expansion	283,834	31.20
Product development	10,208	1.12
Establishment of Chinese herbs processing base	–	–
Refinement and upgrade of electronic code system	5,047	0.55
General working capital	90,960	10.00

DIVIDENDS

In December 2017, an interim dividend of HK$0.06 per Share, amounting to approximately RMB37.1 million, was declared by the Board and it was paid in January 2018. In addition, a final dividend of HK$0.06 per Share, amounting to approximately RMB37.2 million, was approved by the shareholders of the Company in May 2018 and paid in June 2018.

Interim Dividend

The Board did not declare any interim dividend for the six months ended 30 June 2018.

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. Save as disclosed below, the Company complied with all the applicable code provisions set out in the CG Code during the six months ended 30 June 2018.

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 complied with the required standards set out in the Model Code during the six months ended 30 June 2018.

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 during the six months ended 30 June 2018.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee together with the Board have reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 and this interim report. 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 2018 are unaudited.

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

As at 30 June 2018, 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 recorded in the register kept by the Company pursuant to section 352 of the SFO, or 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 Directors	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares
Mr. ZENG Yong(4)	Founder of a discretionary trust	511,963,200	
	Beneficial owner	4,050,500	
		516,013,700	69.79%
Ms. JIANG Peizhen(5)	Interest through controlled corporation(4)	58,937,400	7.97%
Mr. HUANG Jianping(6)	Beneficiary of a trust	17,100,000	2.31%
Mr. ZENG Kexiong(7)	Beneficiary of a trust	17,100,000	2.31%
Mr. LU Xinghong(8)	Beneficiary of a trust	17,100,000	2.31%
Mr. HE Jinqiang(9)	Beneficiary of a trust	17,100,000	2.31%

Notes:

(1) Unless the context otherwise requires, 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 30 June 2018.

(3) The Senior Management Trust and the Employees Trust were combined on 10 July 2017, and the Employees Trust has been replaced.

(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 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 Senior Management Trust which holds the 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 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.

(5) Ms. JIANG Peizhen is the protector of 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 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.

(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 Guangxi 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.

Accordingly, Mr. HUANG Jianping 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 Guangxi 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.

Accordingly, Mr. ZENG Kexiong 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 Guangxi 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.

Accordingly, Mr. LU Xinghong is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.

(9) 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.

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 30 June 2018, 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 recorded in the register kept by the Company pursuant to section 352 of the SFO, or 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 six months ended 30 June 2018.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 8 June 2017, the shareholders of the Company approved the adoption of the share option scheme of the Company (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Board to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the development and growth of the Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on its adoption date. For details of the Share Option Scheme, please refer to the circular of the Company dated 28 April 2017.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme during the six months ended 30 June 2018, and there were no outstanding share options as at 1 January 2018 and 30 June 2018, respectively.

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

As at 30 June 2018, 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 23 above) in the Shares or underlying Shares of the Company, which were 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%
Senior Management Trust[5]	Interest of controlled corporation	58,937,400	7.97%
Jin Chen Employee Holdings Limited[6]	Trustee of a discretionary trust	58,937,400	7.97%
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 30 June 2018.

(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) The Senior Management Trust and the Employees Trust were combined on 10 July 2017, and the Employees Trust has been replaced.

(6) Jin Chen Employee Holdings Limited is the trustee of the Senior Management Trust and holds 100% 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 30 June 2018, 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 23 above) who had interests or short positions in the Shares or underlying Shares of the Company, which were 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, 30 August 2018

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June

	Notes	**2018 Unaudited RMB'000**	2017 Unaudited RMB'000
REVENUE	5	**289,393**	235,554
Cost of sales		**(76,898)**	(69,187)
Gross profit		**212,495**	166,367
Other income and gains	5	**9,843**	12,137
Selling and distribution expenses		**(149,190)**	(118,806)
Administrative expenses		**(25,839)**	(29,575)
Other expenses		**(1,527)**	(3,449)
Finance costs		**(2,451)**	(2,173)
PROFIT BEFORE TAX	6	**43,331**	24,501
Income tax expense	7	**(14,667)**	(4,167)
PROFIT FOR THE PERIOD		**28,664**	20,334
Attributable to:			
Owners of the parent		**28,664**	20,334
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted			
– For profit for the period	9	**RMB4 cents**	RMB3 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June

	2018 Unaudited RMB'000	2017 Unaudited RMB'000
PROFIT FOR THE PERIOD	**28,664**	20,334
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	10,705
Exchange differences:		
Exchange differences on translation of foreign operations	**5,463**	(17,129)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**5,463**	(6,424)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**34,127**	13,910
Attributable to:		
Owners of the parent	**34,127**	13,910

Interim Condensed Consolidated Statement of Financial Position

As at

	Notes	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**211,808**	107,331
Advance payments for property, plant and equipment		**16,165**	15,069
Prepaid land lease payments		**38,311**	38,812
Prepayments, deposits and other receivables		**15,577**	18,747
Deferred tax assets		**17,193**	13,212
Total non-current assets		**299,054**	193,171
CURRENT ASSETS			
Inventories		**59,803**	43,433
Trade and bills receivables	11	**274,259**	446,358
Prepayments, deposits and other receivables		**63,969**	65,375
Due from related parties	17(c)(i)	**203**	3,542
Financial assets at fair value through profit or loss	12	**35,011**	24
Cash and cash equivalents	13	**653,082**	610,242
Total current assets		**1,086,327**	1,168,974
CURRENT LIABILITIES			
Trade payables	14	**25,817**	20,964
Other payables and accruals		**266,887**	214,287
Interest-bearing bank borrowings	15	**101,000**	86,000
Due to a director	17(c)(ii)	**223**	221
Due to related parties	17(c)(ii)	**82**	–
Tax payable		**42,564**	51,886
Government grants		**366**	366
Dividend payable		**–**	37,079
Total current liabilities		**436,939**	410,803
NET CURRENT ASSETS		**649,388**	758,171
TOTAL ASSETS LESS CURRENT LIABILITIES		**948,442**	951,342

As at

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**948,442**	951,342
NON-CURRENT LIABILITIES		
Other payables and accruals	**1,241**	1,064
Government grants	**1,547**	1,730
Deferred tax liabilities	**4,313**	4,095
Total non-current liabilities	**7,101**	6,889
Net assets	**941,341**	944,453
EQUITY		
Equity attributable to owners of the parent		
Share capital	**113**	113
Share premium	**675,410**	675,410
Reserves	**265,818**	268,930
Total equity	**941,341**	944,453

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

		Attributable to owners of the parent								
	Note	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 2018		113	675,410	8,952	133,100	(24)	12,840	(58)	114,120	944,453
Originally stated effect on adoption of HKFRS9		-	-	-	-	-	-	58	(58)	-
As restated		113	675,410	8,952	133,100	(24)	12,840	-	114,062	944,453
Profit for the period		-	-	-	-	-	-	-	28,664	28,664
Other comprehensive income for the period:										
Exchange differences related to foreign operations		-	-	-	-	-	5,463	-	-	5,463
Total comprehensive income for the period		-	-	-	-	-	5,463	-	28,664	34,127
Final 2017 dividends declared	8	-	-	-	-	-	-	-	(37,239)	(37,239)
At 30 June 2018 (Unaudited)		113	675,410	8,952	133,100	(24)	18,303	-	105,487	941,341

	Note	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
		Attributable to owners of the parent								
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 related to foreign operations		–	–	–	–	–	(17,129)	–	–	(17,129)
Total comprehensive income for the period		–	–	–	–	–	(17,129)	10,705	20,334	13,910
Final 2016 dividends 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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	Notes	2018 Unaudited RMB'000	2017 Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**43,331**	24,501
Adjustments for:			
Finance costs		**2,451**	2,173
Bank interest income	5	**(4,013)**	(959)
Depreciation of items of property, plant and equipment	6	**2,583**	2,766
Amortisation of prepaid land lease payments	6	**501**	501
Recognition of government grants		**(183)**	(183)
Investment loss from financial assets at fair value through profit or loss	6	**13**	3,171
Investment income from financial assets at fair value through profit or loss	6	**(200)**	–
Foreign exchange differences, net	6	**1,402**	(6,179)
Write-down of inventories to net realisable value	6	**(21)**	15
		45,864	25,806
Increase in inventories		**(16,349)**	(28,248)
Decrease in trade and bills receivables		**172,099**	168,210
Decrease/(increase) in prepayments, deposits and other receivables		**4,596**	(35,657)
Decrease/(increase) in amounts due from related parties		**3,381**	(11)
Increase/(decrease) in trade payables		**4,853**	(7,781)
Increase in amounts due to related parties		**82**	–
Decrease in other payables and accruals		**(24,424)**	(54,686)
Cash generated from operations		**190,102**	67,633
Interest received		**4,013**	959
Interest paid		**(2,451)**	(2,173)
Income tax paid		**(27,752)**	(55,137)
Net cash flows from operating activities		**163,912**	11,282

	Notes	**2018 Unaudited RMB'000**	2017 Unaudited RMB'000
Net cash flows from operating activities		**163,912**	11,282
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(30,955)**	(36,654)
Purchases of financial assets at fair value through profit or loss		**(85,000)**	(617,548)
Proceeds from disposal of financial assets at fair value through profit or loss		**50,200**	940,895
Net cash flows (used in)/from investing activities		**(65,755)**	286,693
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**103,852**	564,009
Repayment of bank loans		**(87,709)**	(514,672)
Increase in other payables and accruals		**–**	1,147
Dividends paid		**(74,318)**	(78,062)
Net cash flows used in financing activities		**(58,175)**	(27,578)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**39,982**	270,397
Cash and cash equivalents at beginning of period		**610,242**	374,596
Effect of foreign exchange rate changes, net		**2,858**	(7,829)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**653,082**	637,164
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	**202,781**	432,014
Non-pledged time deposits with original maturity of less than three months when acquired	13	**450,301**	205,150
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position		**653,082**	637,164

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 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 British Virgin Islands.

2. BASIS OF PREPARATION

The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 2017.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss 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.

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 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, Hong Kong Financial Reporting Standard ("HKFRS") 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption and applied the new requirements only to contracts that are not completed before 1 January 2018. The effect of adopting HKFRS 15 is, as follows:

(a) Sales of goods

The Group's contracts with customers for the sale of products generally include one performance obligation. The Group has concluded that revenue from sale of products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

(b) Presentation and disclosure requirements

As required for the condensed interim consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 5 for the disclosure on disaggregated revenue.

HKFRS 9 Financial Instruments

The Group applied HKFRS 9 from 1 January 2018. HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for classification and measurement, impairment and hedge accounting. HKFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

(a) Classification and measurement

Except for certain trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

HKFRS 9 Financial Instruments *(Continued)*

(a) *Classification and measurement* *(Continued)*

Other financial assets are classified and subsequently measured, as follows:

- Financial assets at FVPL comprise debt instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's financial assets at FVPL were classified as available-for-sale ("AFS") financial assets. Upon transition the AFS reserve which had been previously recognised under accumulated OCI, was reclassified to retained earnings amounting to RMB58,000.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

(b) *Impairment*

HKFRS 9 requires the Group to record an allowance with a forward-looking expected credit loss (ECL) approach for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Given the limited exposure of the Group to credit risk, the adoption of the ECL requirements of HKFRS 9 doesn't resulted in any significant impact on impairment allowances of the Group's financial assets.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

Impact of adoption of HKFRS 9

The classification and measurement requirements of HKFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018, however, the Group has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under HKAS 39. The following table shows the original measurement categories in accordance with HKAS 39 and the new measurement categories under HKFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

Financial assets

1 January 2018	HKAS 39 classification	HKFRS 9 measurement (RMB'000)	HKAS 39 classification	HKFRS 9 measurement (RMB'000)
Trade and bills receivables	Loans and receivables	446,358	Amortised cost	446,358
Financial assets included in prepayments, deposits and other receivables	Loans and receivables	65,375	Amortised cost	65,375
Cash and cash equivalents	Loans and receivables	610,242	Amortised cost	610,242
Listed equity investment at fair value	FVOCI	24	FVPL	24

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	
	2018	2017
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue		
Sale of goods	**289,393**	235,554
Other income		
Government grants	**5,630**	4,668
Bank interest income		
Investment income from financial assets at fair value	**4,013**	959
through profit or loss	**200**	–
Other	**–**	331
	9,843	5,958
Gains		
Foreign exchange differences, net	**–**	6,179
	9,843	12,137

Disaggregation of revenue from contracts with customers

Timing of revenue-recognition

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
At a point in time		
– Sale of goods	**289,393**	235,554
Total	**289,393**	235,554

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold	**76,898**	69,187
Depreciation of items of property, plant and equipment	**2,583**	2,766
Amortisation of land lease payments	**501**	501
Research and development costs	**1,363**	984
Minimum lease payments under operating leases	**1,382**	1,606
Auditor's remuneration	**118**	–
Investment income from financial assets at fair value through profit or loss	**(200)**	–
Investment loss from financial assets at fair value through profit or loss	**13**	3,171
Government grants	**(5,630)**	(4,668)
Bank interest income	**(4,013)**	(959)
Foreign exchange differences, net	**1,402**	(6,179)
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**21,389**	23,486
Pension scheme contributions	**5,511**	3,911
Staff welfare expenses	**5,971**	5,485
	32,871	32,882
Write-down of inventories to net realisable value	**(21)**	15

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	
	2018	2017
	Unaudited	Unaudited
	RMB'000	RMB'000
Current tax:		
Charge for the period	**14,864**	4,608
Deferred tax	**(197)**	(441)
Total tax charge for the period	**14,667**	4,167

8. DIVIDENDS

A final dividend of HK6 cents per ordinary share for the year ended 31 December 2017 of RMB37,239,000 was approved by shareholders of the Company on 17 May 2018 and paid on 7 June 2018.

The Board did not declare any interim dividend for the six months ended 30 June 2018 (the six months ended 30 June 2017: 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	
	2018	2017
	Unaudited	Unaudited
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**28,664**	20,334

	Number of shares Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**739,302,000**	739,302,000

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 2018, the Group acquired assets with a cost of RMB107,060,000 (the six months ended 30 June 2017: RMB21,094,000).

No asset was disposed of by the Group during the six months ended 30 June 2018 (the six months ended 30 June 2017: Nil), and no loss or gain recognised on disposal (the six months ended 30 June 2017: Nil).

11. TRADE AND BILLS RECEIVABLES

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Trade receivables	**61,804**	54,156
Bills receivable	**213,390**	393,137
	275,194	447,293
Impairment	**(935)**	(935)
	274,259	446,358

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 ageing 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 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Less than 3 months	**43,286**	41,595
3 to 6 months	**5,907**	2,944
6 to 12 months	**3,515**	2,097
1 to 2 years	**7,712**	6,411
Over 2 years	**449**	174
	60,869	53,221

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Listed equity investments (note a)	**11**	24
Investments in bank financial products (note b)	**35,000**	–
	35,011	24

Notes:

(a) Listed equity investments consist of investments in equity securities which were designated as financial assets at fair value through profit or loss and have no fixed maturity date or coupon rate.

(b) The investments in bank financial products represent investments in certain wealth management products issued by commercial banks with expected interest rates ranging from 3.15% to 4.57% per annum with a maturity period within one year in the People's Republic of China (the "PRC"). The fair values of the financial products approximate to their costs plus expected interest.

13. CASH AND CASH EQUIVALENTS

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Cash and bank balances	**202,781**	219,466
Time deposits	**450,301**	390,776
Cash and cash equivalents	**653,082**	610,242

14. TRADE PAYABLES

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Trade payables	**25,817**	20,964

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

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Less than 3 months	**21,882**	15,558
3 to 6 months	**600**	3,263
6 to 12 months	**2,096**	913
1 to 2 years	**12**	17
Over 2 years	**1,227**	1,213
	25,817	20,964

Trade payables include the trade payables of RMB179,000 (31 December 2017: RMB16,000) due to Guangxi Changbao Biological Technology Co., Ltd. (廣西常寶生物技術有限公司), which named Guangxi Weikete Biological Technology Co., Ltd. before, 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 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Current				
Bank loans – secured	4.35	Within 1 year	**41,000**	56,000
Bank loans – unsecured	4.35	Within 1 year	**60,000**	30,000
			101,000	86,000
Analysed into:				
Bank loans repayable:				
Within one year or on demand			**101,000**	86,000

Notes:

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

(i) mortgages over certain of the Group's bills receivables which had an aggregate net carrying value as at 30 June 2018 of approximately of RMB46,624,000 (31 December 2017: Nil); and

(ii) mortgages over certain of the Group's leasehold lands which had an aggregate net carrying value of approximately of RMB36,446,000 as at 31 December 2017; and

(iii) mortgages over certain of the Group's buildings which had an aggregate net carrying value of approximately RMB1,429,000 as at 31 December 2017.

A director of the Company, Jiang Peizhen, has guaranteed certain of the Group's bank loans made to the Group of up to RMB20,000,000 as at 31 December 2017, there was no such guarantee as at 30 June 2018 (note 17(b)).

16. COMMITMENTS

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

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Contracted, but not provided for: Land and buildings	**22,154**	32,305

17. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
	Note	**2018 Unaudited RMB'000**	2017 Unaudited RMB'000
An entity ultimately controlled by a director			
Guangxi Changbao Biological Technology Co., Ltd. (which named Guangxi Weikete Biological Technology Co., Ltd. before)			
Purchases of products	(i)	**3,030**	1,204
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 made to the Group of up to RMB20,000,000 as at 31 December 2017, there was no such guarantee as at 30 June 2018 (note 15).

(c) Outstanding balances with related parties:

(i) The Group had an outstanding balance due from related parties of RMB203,000 (31 December 2017: RMB3,542,000) as at 30 June 2018. The entire outstanding balance is unsecured, non-interest-bearing and payable on demand.

(ii) The Group had an outstanding balance due to related parties and director of RMB305,000 (31 December 2017: RMB221,000) as at 30 June 2018. 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 30 June 2018 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	
	2018	2017
	Unaudited	Unaudited
	RMB'000	RMB'000
Short-term employee benefits	**3,354**	3,354
Pension scheme contributions	**175**	165
Total compensation paid to key management	**3,529**	3,519

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 at fair value through profit or loss 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 2018, 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 2018 (Unaudited)

	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
Listed equity investment	11	–	–	11
Investment in bank financial products	–	35,000	–	35,000
	11	35,000	–	35,011

Listed equity investment Investment in bank financial products

As at 31 December 2017 (Audited)

	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
Listed equity investment	24	–	–	24

The Group did not have any financial liabilities measured at fair value as at 30 June 2018 and 31 December 2017.

During the six months ended 30 June 2018, 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 2017: Nil).