# 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


# 2019 INTERIM REPORT


FSC
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OTC
金嗓子喉片
Golden
Golden Throat
Lozenge
6片x2板
江佩珍
金嗓子喉宝
（无蔗糖）都乐含片
金嗓子
草本植物饮料

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# COMPANY PROFILE


Golden Throat Holdings Group Company Limited (the "Company", together with its subsidiaries, the "Group" or "Golden Throat") is a leading manufacturer of lozenges in China. At the China Financial Market Awards 2019, Golden Throat stood out for its excellent performance in brand value, was awarded the Best Brand Value Award. It also won the Huapu Award at the 13th China Brand Festival in August 2019. 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 Wing Shan

## AUTHORISED REPRESENTATIVES

Mr. HE Jinqiang
Ms. NG Wing Shan

## 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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## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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## COMPANY'S WEBSITE

www.goldenthroat.com

## STOCK CODE

06896

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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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

## PRINCIPAL BANK

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

# FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019:

- Revenue increased by approximately RMB65.2 million or 22.5% to approximately RMB354.6 million, as compared to the six months ended 30 June 2018.

- Gross profit increased by approximately RMB49.0 million or 23.1% to approximately RMB261.5 million, as compared to the six months ended 30 June 2018.

- Earnings before interest, taxes, depreciation and amortisation increased by approximately RMB18.9 million or 38.7% to approximately RMB67.8 million, as compared to the six months ended 30 June 2018.

- Profit attributable to equity holders of the Company increased by approximately RMB16.7 million or 58.2% to approximately RMB45.4 million, as compared to the six months ended 30 June 2018.

# 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 |
| "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 |
| "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 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 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 Beverage" | Golden Throat Herbal Vegetable Beverage (金嗓子草本植物飲料), a series of products under Golden Throat Herbal Vegetable Beverages Series Products |
| "HKD" or "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "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 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 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 |

# MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as at 27 August 2019 (the date of this interim report). 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 2019.

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

## BUSINESS REVIEW

The Group is a leading manufacturer of lozenges in China. At the China Financial Market Awards 2019, Golden Throat stood out for its excellent performance in brand value, and was awarded the Best Brand Value Award. It also won the Huapu Award at the 13th China Brand Festival in August 2019. 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 of 30 June 2019, Golden Throat Lozenges (OTC) were exported to the United States, Canada, Russia, the European Union, Australia, Southeast Asia, Middle East, Mexico, Africa and newly explored export countries in 2018 including Vietnam and Brazil, across five continents of the world.

During the six months ended 30 June 2019, the Group's revenue from the sales of Golden Throat Lozenges (OTC) accounted for approximately 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 is approved as food products. The sugar-free series of Golden Throat Lozenge Series Products was launched in 2013, which supplements the Group's original sales channel and provides consumers with more diversified choices in response to consumer differentiation.

In 2019, Golden Throat Lozenge Series Products was newly exported to Japan and Mongolia. As of 30 June 2019, Golden Throat Lozenge Series Products were exported to twelve countries and regions.

For the six months ended 30 June 2019, the Group's revenue from the sales of Golden Throat Lozenge Series Products accounted for approximately 9.0% of its total revenue.

### *Other Products*

Sales of the Group's other products accounted for approximately 1.4% of the Group's revenue for the six months ended 30 June 2019. 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 2019, the Group's research and development team consisted of approximately 270 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 RMB56.3 million in research and development activities in the future. For the six months ended 30 June 2019, the Group invested an amount of approximately RMB1.5 million on research and development activities.

### *Product Portfolio*

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. In 2017, "Golden Throat (金嗓子)" brand was selected as a world famous brand by the China America Branding Strategy Forum and in the same year, the Company was ranked amongst the listed companies on the Forbes China Up-and-Comers List. At the China Financial Market Awards 2019, Golden Throat stood out for its excellent performance in brand value, and was awarded the Best Brand Value Award. It also won the Huapu Award at the 13th China Brand Festival in August 2019.

### *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 2019, substantially all of the Group's revenue was generated from sales to distributors.

As at 30 June 2019, the Group's distribution network had no substantial change, with over 550 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 monitor the activities of its distributors. The Group restructured its sales system since the first half of 2018. After reorganisation of the Group's distribution network and delineating distribution areas, the number of sub-distributors has increased. The restructuring of the national channel of Golden Throat Lozenges (OTC) was further improved in the first half of 2019, while the optimisation of the Company's Two-Invoice System channel has been greatly achieved. For the six months ended 30 June 2019, the Group's secured orders increased as compared to the corresponding period in 2018.

As mentioned above, the Group also has a presence in various overseas markets for its products, including the United States, Canada, Russia, Japan, the European Union, Australia, Southeast Asia, Middle East, Mexico, and newly explored export countries in 2018 including Vietnam and Brazil, 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 have exported to nine countries, except Laos.

The Group witnessed further growth of the Group's overseas export business in 2019, and the Group explored two new export countries, which are Japan and Mongolia. Japan is one of the countries imposing the strictest controls on food imports over the world. With 100% confidence in our product quality and the courage to explore the global market, the first batch of Golden Throat Lozenge Series Products exported to Japan has passed the indicator assessment. Having a large population, there is a strong future growth potential in market in Japan. Golden Throat being able to pass the import inspection, from the commercial perspective or with regard to brand awareness, has been of great significance. As of 30 June 2019, the Group has exported its products to 44 countries. After more than ten years of overseas market expansion, Golden Throat has formed a solid strategic partnership with local distributors in export trade, and then gradually cultivated a large crowd of consumer groups overseas for the brand, establishing a diversified customer base for promoting "made in China" to overseas. In October 2018, the Group established Golden Throat Lozenge Series Products flagship store on online platform Taobao Tmall, with the addition of online exclusive Golden Throat Lozenge Series Products, which include six products comprising of Golden Throat Lozenge Dule Lozenges and five other flavours (including mint, chrysanthemum, red tangerine, fructus momordicae and American ginseng) and various fruit candies. In the future, the dual development of retail pharmacies and online sales will contribute to an efficient and comprehensive distribution system.

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, commencing from 1 January 2016 till 31 December 2021.

### *Promoters*

As at 30 June 2019, 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

In the second half of 2019, 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 Group's refined distribution network established 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 further improved the restructuring of the national sales channel of Golden Throat Lozenges (OTC) in the first half of 2019, while the enhancement of the Group's Two-Invoice System channel has been successfully 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 2019, the external structures of plants 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 basically completed and its interior decoration works and equipment installation are being carried out. It is planned that the production line of Golden Throat Lozenges (OTC) will be put into trial production by the end of 2019. 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 2019, the Group's revenue increased by approximately RMB65.2 million or 22.5% to approximately RMB354.6 million, as compared to approximately RMB289.4 million for the six months ended 30 June 2018. The increase is mainly attributable to the increase in sales of Golden Throat Lozenges (OTC).

For the six months ended 30 June 2019, the Group's revenue generated from sales of Golden Throat Lozenges (OTC) was approximately RMB317.6 million, representing an increase of approximately RMB58.4 million or 22.5% as compared to approximately RMB259.2 million for the six months ended 30 June 2018. The increase was because the Group further improved the restructuring of the national channel of Golden Throat Lozenges (OTC) in the first half of 2019, while the enhancement of the Company's Two-Invoice System channel has achieved good result. The Company's related sales revenue therefore increased in the first half of 2019.

For the six months ended 30 June 2019, the Group's revenue from the sales of the Golden Throat Lozenge Series Products amounted to approximately RMB31.9 million as compared to approximately RMB25.1 million for the six months ended 30 June 2018, representing an increase of approximately RMB6.8 million or 27.1%, which was mainly attributable to the Group's further strengthening of the marketing and distribution network of Golden Throat Lozenge Series Products.

For the six months ended 30 June 2019, the Group's revenue from sales of other products amounted to approximately RMB5.1 million, which remained basically the same as compared to approximately RMB5.1 million 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 2019 (Unaudited)** | | | | | |
|---|---|---|---|---|---|---|
| | **Sales boxes'000** | **Revenue RMB'000** | **Cost RMB'000** | **Gross margin %** | **Unit price RMB** | **Unit cost RMB** |
| Golden Throat Lozenges (OTC) | **50,135** | **317,566** | **71,061** | **77.62** | **6.33** | **1.42** |
| Golden Throat Lozenge Series Products | **6,262** | **31,938** | **12,441** | **61.05** | **5.10** | **1.99** |

| | For the six months ended 30 June 2018 (Unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Sales 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 |

### 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 RMB76.9 million for the six months ended 30 June 2018 to approximately RMB93.1 million for the six months ended 30 June 2019, which represents approximately 26.3% 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 2019 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 2019 (Unaudited)** | | For the six months ended 30 June 2018 (Unaudited) | |
|---|---|---|---|---|
| | **RMB'000** | **% of total** | RMB'000 | % of total |
| Packaging materials | **42,351** | **45.5%** | 34,625 | 45.0% |
| Raw materials | **20,796** | **22.3%** | 19,807 | 25.8% |
| Labor costs | **17,359** | **18.6%** | 15,766 | 20.5% |
| Write-down of inventories to net realisable value | **676** | **0.7%** | 21 | 0.0% |
| Depreciation | **2,623** | **2.8%** | 1,736 | 2.3% |
| Commission processing fee | **3,712** | **4.0%** | – | 0.0% |
| Other costs | **5,612** | **6.1%** | 4,943 | 6.4% |
| Total | **93,129** | **100.0%** | 76,898 | 100.0% |

### Gross Profit

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

The Group's gross profit for the six months ended 30 June 2019 was approximately RMB261.5 million, as compared to approximately RMB212.5 million for the six months ended 30 June 2018, representing an increase of approximately RMB49.0 million, or 23.1%. 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 73.7% for the six months ended 30 June 2019 from 73.4% for the corresponding period in 2018.

### 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 2019, the Group's other income and gains increased to approximately RMB10.1 million, as compared to approximately RMB9.8 million for the six months ended 30 June 2018, representing an increase of approximately RMB0.3 million. Other income and gains remained basically the same as compared to the corresponding period in 2018.

### 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 2019, the Group's selling and distribution expenses amounted to approximately RMB173.7 million, as compared to approximately RMB149.2 million for the six months ended 30 June 2018, representing an increase of approximately RMB24.5 million, or 16.4%. Such increase was mainly due to the increase in sales expenses paid by the Group in relation to the in-depth implementation of the enhancement of the Group's Two-Invoice System channel for the six months ended 30 June 2019.

### 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 2019, the Group's administrative expenses amounted to approximately RMB27.2 million, as compared to approximately RMB25.8 million for the six months ended 30 June 2018, representing an increase of approximately RMB1.4 million, or 5.4%. Administrative expenses remained basically the same as compared to the corresponding period in 2018.

### Other Expenses

Other expenses of the Group mainly include (i) litigation fee and (ii) exchange losses. For the six months ended 30 June 2019, the Group's other expenses amounted to approximately RMB6.5 million, as compared to approximately RMB1.5 million for the six months ended 30 June 2018, representing an increase of approximately RMB5.0 million. Such increase was mainly due to an increase in expenses undertaken for the litigation judgment related to Golden Throat Herbal Vegetable Beverage.

### Finance Costs

For the six months ended 30 June 2019, the Group's finance costs amounted to approximately RMB3.7 million, as compared to approximately RMB2.5 million for the six months ended 30 June 2018, representing an increase of approximately RMB1.2 million, or 48.0%. The increase was mainly due to the increase in the Group's bank borrowings during the six months ended 30 June 2019 as compared to the corresponding period in 2018.

### Income Tax Expense

For the six months ended 30 June 2019, the Group's income tax expense amounted to approximately RMB15.1 million, as compared to approximately RMB14.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB0.4 million, or 2.7%. The effective tax rate for the six months ended 30 June 2019 and the corresponding period in 2018 was 25.0% and 33.9%, respectively. Income tax expense basically remained the same. The decrease in effective tax rate was mainly due to the reduction in tax adjustment.

### Net Profit

For the six months ended 30 June 2019, the Group's net profit increased to approximately RMB45.4 million, as compared to approximately RMB28.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB16.7 million, or 58.2%. 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 2019, the Group had net current assets of approximately RMB623.2 million, as compared to approximately RMB758.4 million as at 31 December 2018. The current ratio of the Group decreased to approximately 1.9 as at 30 June 2019 from 2.8 as at 31 December 2018. The decrease in net current assets was mainly attributable to the increase in the Group's capital used in the construction of a new medicines production and research and development base in Luowei Industrial Concentration Area.

### Borrowings and the Pledge of Assets

As at 30 June 2019, the Group had an aggregate interest-bearing bank borrowings and other borrowings of approximately RMB355.8 million, as compared to approximately RMB96.0 million as at 31 December 2018. All the bank borrowings are repayable within one year. As compared with 31 December 2018, the increase in bank borrowings and other borrowings was for the purpose of replenishing the working capital required for the Group.

For the six months ended 30 June 2019, the Group's bank borrowings and other borrowings of approximately RMB226.8 million were at fixed interest rates. For details of such borrowings, please refer to Note 14 of the Group's interim condensed consolidated financial statements.

The Group continues to manage its financial position 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 2019, certain of the Group's bank loans were secured by:

(i) mortgages over certain of the Group's bills receivable which had an aggregate net carrying value at the end of the reporting period of approximately RMB147,885,000 (31 December 2018: Nil);

(ii) 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 RMB14,708,000 (31 December 2018: RMB14,932,000);

(iii) mortgages over certain of the Group's buildings which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,473,000 (31 December 2018: RMB1,545,000); and

(iv) the pledge of the Group's time deposits of approximately RMB76,779,000 at the end of the reporting period (31 December 2018: Nil).

### Gearing Ratio

As at 30 June 2019, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to approximately 34.7% from approximately 9.1% as at 31 December 2018. Such increase was primarily attributable to the Group's increased bank borrowings from approximately RMB96.0 million as at 31 December 2018 to approximately RMB355.8 million as at 30 June 2019.

### Contingent Liabilities

As at 30 June 2019, there has been no significant change in the contingent liabilities of the Group (the contingent liabilities no longer included the lawsuit with Xingkong Huawen International Media Co., Ltd.) as compared to its position as at 31 December 2018. For further details, please refer to the announcement of the Company dated 29 March 2019 in relation to the annual results for the year ended 31 December 2018.

### 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$11.1 million and US$20.4 million as at 30 June 2019, 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 2019, the Group did not use any financial instruments to hedge its foreign exchange risk.

## EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2019, the Group employed a total of 839 full-time employees, as compared to a total of 891 full-time employees as at 30 June 2018. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB26.9 million for the six months ended 30 June 2019 as compared to approximately RMB26.8 million for the corresponding period in 2018. 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 2019, 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 2019, the Group committed to invest approximately RMB14.0 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. Such investment will be funded by the IPO Proceeds and our own working capital 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 to the Group since 30 June 2019.

## 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 of 30 June 2019, there was no change to the intended use of the IPO Proceeds as disclosed in the Prospectus.

As of 30 June 2019, the Group had utilised approximately HK$594.87 million, representing approximately 65.39% 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 | 198,059 | 21.77 |
| Conversion of headquarters | – | – |
| Market expansion | 286,685 | 31.52 |
| Product development | 12,865 | 1.41 |
| Establishment of Chinese herbs processing base | – | – |
| Refinement and Upgrade of electronic code system | 6,298 | 0.69 |
| General working capital | 90,960 | 10.00 |

## INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2019.

## 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 2019.

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 2019.

## 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 2019.

## 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 2019. The Audit Committee has also reviewed the effectiveness of the Group's risk management and internal control systems and considered such systems in place to be effective and adequate.

The interim results for the six months ended 30 June 2019 are unaudited.

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

As at 30 June 2019, 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 of 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 2019.

(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 7.97% (i.e. 58,937,400 Shares) 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 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 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 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 Guangxi Golden Throat 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 2019, 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 2019.

## 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 2019, and there were no outstanding share options as at 1 January 2019 and 30 June 2019, respectively.

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

As at 30 June 2019, 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 pages 24 to 25 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 2019.

(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 2019, 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 24 to 25 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, 27 August 2019

# Interim Condensed Consolidated Statement of Profit or Loss

*For the six months ended 30 June*

| | Notes | 2019 (Unaudited) RMB'000 | 2018 (Unaudited) RMB'000 |
|---|---|---|---|
| **REVENUE** | 5 | **354,621** | 289,393 |
| Cost of sales | | **(93,129)** | (76,898) |
| Gross profit | | **261,492** | 212,495 |
| Other income and gains | 5 | **10,075** | 9,843 |
| Selling and distribution expenses | | **(173,695)** | (149,190) |
| Administrative expenses | | **(27,206)** | (25,839) |
| Other expenses | | **(6,482)** | (1,527) |
| Finance costs | | **(3,676)** | (2,451) |
| **PROFIT BEFORE TAX** | 6 | **60,508** | 43,331 |
| Income tax expense | 7 | **(15,073)** | (14,667) |
| **PROFIT FOR THE PERIOD** | | **45,435** | 28,664 |
| Attributable to: | | | |
| Owners of the parent | | **45,435** | 28,664 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:** | | | |
| Basic and diluted | | | |
| – For profit for the period | 9 | **RMB6 cents** | RMB4 cents |

# Interim Condensed Consolidated Statement of Comprehensive Income

*For the six months ended 30 June*

| | 2019 (Unaudited) RMB'000 | 2018 (Unaudited) RMB'000 |
|---|---|---|
| **PROFIT FOR THE PERIOD** | **45,435** | 28,664 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | **2,122** | 5,463 |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | **2,122** | 5,463 |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | **2,122** | 5,463 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **47,557** | 34,127 |
| Attributable to: | | |
| Owners of the parent | **47,557** | 34,127 |

# Interim Condensed Consolidated Statement of Financial Position

*As at*

| | Notes | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | **317,549** | 216,325 |
| Advance payments for property plant and equipment | | **16,204** | 28,739 |
| Right-of-use assets | 3 | **55,052** | – |
| Prepaid land lease payments | | **–** | 37,809 |
| Prepayments, other receivables and other assets | | **4** | 14,940 |
| Deferred tax assets | | **17,153** | 15,372 |
| Total non-current assets | | **405,962** | 313,185 |
| **CURRENT ASSETS** | | | |
| Inventories | | **49,794** | 47,006 |
| Trade and bills receivables | 11 | **377,346** | 433,105 |
| Prepayments, other receivables and other assets | | **72,503** | 56,820 |
| Due from related parties | 16(b)(i) | **653** | 565 |
| Restricted cash | 12 | **1,086** | 1,084 |
| Pledged time deposits | 12 | **76,779** | – |
| Cash and cash equivalents | 12 | **744,384** | 634,194 |
| Total current assets | | **1,322,545** | 1,172,774 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 13 | **34,831** | 34,458 |
| Other payables and accruals | | **257,746** | 228,419 |
| Interest-bearing bank and other borrowings | 14 | **355,612** | 96,000 |
| Due to a director | 16(b)(ii) | **232** | 232 |
| Due to related parties | 16(b)(ii) | **666** | – |
| Tax payable | | **49,847** | 54,857 |
| Government grants | | **366** | 366 |
| Total current liabilities | | **699,300** | 414,332 |
| **NET CURRENT ASSETS** | | **623,245** | 758,442 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,029,207** | 1,071,627 |

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

*As at*

| | Note | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Other payables and accruals | | **928** | 1,070 |
| Government grants | | **1,181** | 1,364 |
| Deferred tax liabilities | | **–** | 11,981 |
| Interest-bearing bank and other borrowings | 14 | **216** | – |
| Total non-current liabilities | | **2,325** | 14,415 |
| Net assets | | **1,026,882** | 1,057,212 |
| **EQUITY** | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | **113** | 113 |
| Share premium | | **675,410** | 675,410 |
| Reserves | | **351,359** | 381,689 |
| Total equity | | **1,026,882** | 1,057,212 |

# Interim Condensed Consolidated Statement of Changes in Equity

*For the six months ended 30 June 2019*

| | | 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 | Retained profits RMB'000 | Total equity RMB'000 |
| At 1 January 2019 (audited) | | 113 | 675,410 | 8,952 | 183,494 | (24) | 61,386 | 127,881 | 1,057,212 |
| Profit for the period | | - | - | - | - | - | - | 45,435 | 45,435 |
| Other comprehensive income for the period: | | | | | | | | | |
| Exchange differences on translation to foreign operations | | - | - | - | - | - | 2,122 | - | 2,122 |
| Total comprehensive income for the period | | - | - | - | - | - | 2,122 | 45,435 | 47,557 |
| Final 2018 dividend declared | 8 | - | - | - | - | - | - | (77,887) | (77,887) |
| At 30 June 2019 (unaudited) | | 113 | 675,410 | 8,952 | 183,494 | (24) | 63,508 | 95,429 | 1,026,882 |

## Interim Condensed Consolidated Statement of Changes in Equity (Continued)

*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 (audited) | | 113 | 675,410 | 8,952 | 133,100 | (24) | 12,840 | (58) | 114,120 | 944,453 |
| Impact of adoption of HKFRS9 | | – | – | – | – | – | – | 58 | (58) | – |
| Restated balance at 1 January 2018 (audited) | | 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 dividend 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 |

# Interim Condensed Consolidated Statement of Cash Flows

*For the six months ended 30 June*

| | Notes | 2019 (Unaudited) RMB'000 | 2018 (Unaudited) RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **60,508** | 43,331 |
| Adjustments for: | | | |
| Finance costs | | **3,676** | 2,451 |
| Bank interest income | 5 | **(4,606)** | (4,013) |
| Depreciation of property, plant and equipment | 6 | **3,148** | 2,583 |
| Amortisation of prepaid land lease payments | 6 | **–** | 501 |
| Recognition of government grants | | **(183)** | (183) |
| Investment loss from financial assets at fair value through profit or loss | 6 | **–** | 13 |
| Investment income from financial assets at fair value through profit or loss | 6 | **(1,375)** | (200) |
| Foreign exchange differences, net | 6 | **1,559** | 1,402 |
| Depreciation of right-of-use assets | 3 | **1,832** | – |
| Reversal of impairment of trade receivables | 6 | **(29)** | – |
| Reversal of impairment of other receivables | 6 | **(129)** | – |
| Write-down of inventories to net realisable value | 6 | **676** | (21) |
| | | **65,077** | 45,864 |
| Increase in inventories | | **(3,464)** | (16,349) |
| Decrease in trade and bills receivables | | **55,788** | 172,099 |
| (Increase)/decrease in prepayments, other receivables and other assets | | **(18,719)** | 4,596 |
| (Increase)/decrease in amounts due from related parties | | **(86)** | 3,381 |
| Increase in trade payables | | **373** | 4,853 |
| Increase in amounts due to related parties | | **666** | 82 |
| Increase/(decrease) in other payables and accruals | | **15,540** | (24,424) |
| Cash generated from operations | | **115,175** | 190,102 |
| Interest received | | **4,373** | 4,013 |
| Interest paid | | **(3,663)** | (2,451) |
| Income tax paid | | **(33,845)** | (27,752) |
| Net cash flows from operating activities | | **82,040** | 163,912 |

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

*For the six months ended 30 June*

| | Notes | 2019 (Unaudited) RMB'000 | 2018 (Unaudited) RMB'000 |
|---|---|---|---|
| Net cash flows from operating activities | | **82,040** | 163,912 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of items of property, plant and equipment | | **(78,192)** | (30,955) |
| Purchases of financial assets at fair value through profit or loss | | **(245,000)** | (85,000) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **246,375** | 50,200 |
| Net cash flows used in investing activities | | **(76,817)** | (65,755) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| New bank loans | | **319,266** | 103,852 |
| Repayment of bank loans | | **(60,000)** | (87,709) |
| Principal portion of lease payments | 3 | **(192)** | – |
| Dividends paid | | **(77,887)** | (74,318) |
| Net cash flows from/(used in) financing activities | | **181,187** | (58,175) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **186,410** | 39,982 |
| Cash and cash equivalents at beginning of period | | **635,278** | 610,242 |
| Effect of foreign exchange rate changes, net | | **561** | 2,858 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **822,249** | 653,082 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and cash equivalents as stated in the statement of financial position | 12 | **744,384** | 653,082 |
| Pledged time deposits | 12 | **76,779** | – |
| Restricted cash | 12 | **1,086** | – |
| Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows | | **822,249** | 653,082 |

# 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 2019 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 2018.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention. 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 unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

| | |
|---|---|
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation* |
| HKFRS 16 | *Leases* |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement* |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments* |
| *Annual Improvements 2015-2017 Cycle* | *Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23* |

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's unaudited interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

*(Continued)*

### New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

### As a lessee – Leases previously classified as operating leases

***Nature of the effect of adoption of HKFRS 16***

The Group has a lease contract for office and warehouse rental. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

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

**As a lessee – Leases previously classified as operating leases** *(Continued)*

***Impacts on transition***

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

| | **Increase/ (decrease)** RMB'000 (Unaudited) |
|---|---|
| **Assets** | |
| Increase in right-of-use assets | 56,884 |
| Decrease in prepaid land lease payments | (37,809) |
| Decrease in prepayments, other receivables and other assets | (18,334) |
| Increase in total assets | 741 |
| **Liabilities** | |
| Increase in interest-bearing bank and other borrowings | 741 |
| Increase in total liabilities | 741 |

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

### As a lessee – Leases previously classified as operating leases *(Continued)*

***Impacts on transition*** *(Continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as of 31 December 2018 as follows:

| | RMB'000 (Unaudited) |
|---|---|
| Operating lease commitments as at 31 December 2018 | 1,140 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 4.75% |
| Discounted operating lease commitments at 1 January 2019 | 1,125 |
| Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 | (384) |
| Lease liabilities as at 1 January 2019 | 741 |

### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

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

### Summary of new accounting policies *(Continued)*

***Lease liabilities***

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

### Amounts recognised in the unaudited interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank and other borrowings'), and the movement during the period are as follow:

| | **Right-of-use assets** | **Lease liabilities** |
|---|---|---|
| | RMB'000 | RMB'000 |
| As at 1 January 2019 | 56,884 | 741 |
| Depreciation charge | (1,832) | – |
| Interest expense | – | 13 |
| Payments | – | (192) |
| As at 30 June 2019 | 55,052 | 562 |

## 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

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| *Revenue from contracts with customers* | **354,621** | – |
| Sale of goods | **–** | 289,393 |
| | **354,621** | 289,393 |

All of the Group's revenue generated from the sale of goods was recognised at a point in time during the period.

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| **Other income** | | |
| Government grants | **4,083** | 5,630 |
| Bank interest income | **4,606** | 4,013 |
| Investment income from financial assets at fair value through profit or loss | **1,375** | 200 |
| Others | **11** | – |
| | **10,075** | 9,843 |

## 6. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Cost of inventories sold | **93,129** | 76,898 |
| Depreciation of items of property, plant and equipment | **3,148** | 2,583 |
| Depreciation of right-of-use assets | **1,832** | – |
| Amortisation of land lease payments | **–** | 501 |
| Research and development costs | **1,475** | 1,363 |
| Minimum lease payments under operating leases | **–** | 1,382 |
| Auditor's remuneration | **170** | 118 |
| Investment income from financial assets at fair value through profit or loss | **(1,375)** | (200) |
| Investment loss from financial assets at fair value through profit or loss | **–** | 13 |
| Government grants | **(4,083)** | (5,630) |
| Bank interest income | **(4,606)** | (4,013) |
| Foreign exchange differences, net | **1,559** | 1,402 |
| Employee benefit expense (excluding directors' remuneration): | | |
| Wages and salaries | **23,589** | 21,389 |
| Pension scheme contributions | **4,244** | 5,511 |
| Staff welfare expenses | **5,007** | 5,971 |
| | **32,840** | 32,871 |
| Reversal of impairment of other receivables | **(129)** | – |
| Reversal of impairment of trade receivables | **(29)** | – |
| Write-down of inventories to net realisable value | **676** | (21) |

## 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:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Current tax: | | |
| Charge for the period | **16,844** | 14,864 |
| Deferred tax | **(1,771)** | (197) |
| Total tax charge for the period | **15,073** | 14,667 |

## 8. DIVIDENDS

A final dividend of HK$0.12 per ordinary share for the year ended 31 December 2018 of RMB77,887,000 was approved by shareholders of the Company on 15 May 2019 and paid on 28 June 2019.

The Board did not declare any interim dividend for the six months ended 30 June 2019 (the six month ended 30 June 2018: 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:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **45,435** | 28,664 |

| | Number of shares For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(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 2019, the Group acquired assets with a cost of RMB104,372,000 (the six months ended 30 June 2018: RMB107,060,000).

No asset was disposed of by the Group during the six months ended 30 June 2019 (the six months ended 30 June 2018: Nil), and no loss or gain recognised on disposal (the six months ended 30 June 2018: Nil).

## 11. TRADE AND BILLS RECEIVABLES

| | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Trade receivables | **51,274** | 72,759 |
| Bills receivable | **332,390** | 366,693 |
| | **383,664** | 439,452 |
| Impairment | **(6,318)** | (6,347) |
| | **377,346** | 433,105 |

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.

As at 30 June 2019, bills receivable of RMB332,390,000 (31 December 2018: RMB366,693,000) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under HKFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant in 2019.

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 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Less than 3 months | **37,539** | 60,806 |
| 3 to 6 months | **4,093** | 3,317 |
| 6 to 12 months | **3,001** | 2,025 |
| 1 to 2 years | **275** | 133 |
| Over 2 years | **48** | 131 |
| | **44,956** | 66,412 |

## 12. CASH AND CASH EQUIVALENTS

| | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Cash and bank balances | **682,264** | 425,602 |
| Time deposits | **139,985** | 209,676 |
| | **822,249** | 635,278 |
| Less: | | |
| Pledged time deposits for bank loans | **(76,779)** | – |
| Restricted cash | **(1,086)** | (1,084) |
| | **744,384** | 634,194 |

At the end of the reporting period, restricted cash of RMB109,000 (31 December 2018: RMB109,000) and RMB977,000 (31 December 2018: RMB975,000) represented account balances held at China Construction Bank and Industrial Bank, respectively. The restricted cash balance is not available to finance the Group's day-to-day operations due to lawsuit and therefore has been excluded from cash and cash equivalents for the purposes of the statement of cash flows.

## 13. TRADE PAYABLES

| | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Trade payables | **34,831** | 34,458 |

## 13. TRADE PAYABLES *(Continued)*

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 2019 (Unaudited) RMB'000** | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Less than 3 months | **24,693** | 32,278 |
| 3 to 6 months | **8,835** | 510 |
| 6 to 12 months | **101** | 453 |
| 1 to 2 years | **–** | 3 |
| Over 2 years | **1,202** | 1,214 |
| | **34,831** | 34,458 |

As at 30 June 2019, trade payables due to Guangxi Changbao Biological Technology Co., Ltd., (廣西常寶生物技術有限公司), an entity ultimately controlled by a director was nil (31 December 2018: RMB351,000). Those trade payables are repayable within 30 days, which represents credit terms similar to those offered by the related party to its major customers.

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | Effective interest rate (%) | Maturity | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|---|---|
| Current | | | | |
| Current portion of lease liabilities | 4.75 | Within 1 year | **346** | – |
| Bank loans – secured | 4.35 | Within 1 year | **245,266** | 36,000 |
| Bank loans – unsecured | 4.35 | Within 1 year | **110,000** | 60,000 |
| | | | **355,612** | 96,000 |
| Non-current | | | | |
| Lease liabilities | 4.75 | 2020 | **216** | – |
| | | | **355,828** | 96,000 |
| Analysed into: | | | | |
| Bank loans repayable: | | | | |
| Within one year | | | **355,266** | 96,000 |
| Other borrowings repayable: | | | | |
| Within one year | | | **346** | – |
| In the second year | | | **216** | – |
| | | | **562** | – |
| | | | **355,828** | 96,000 |

Notes:

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

(i) mortgages over certain of the Group's bills receivable which had an aggregate net carrying value at the end of the reporting period of approximately RMB147,885,000 (31 December 2018: Nil);

(ii) 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 RMB14,708,000 (31 December 2018: RMB14,932,000);

(iii) mortgages over certain of the Group's buildings which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,473,000 (31 December 2018: RMB1,545,000); and

(iv) the pledge of the Group's time deposits of approximately RMB76,779,000 at the end of the reporting period (31 December 2018: Nil) (Note 12).

## 15. COMMITMENTS

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

| | **30 June 2019 (Unaudited) RMB'000** | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Land and buildings | **13,984** | 64,854 |

## 16. RELATED PARTY TRANSACTIONS

(a) **In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:**

| | Note | **For the six months ended 30 June 2019 (Unaudited) RMB'000** | 2018 (Unaudited) RMB'000 |
|---|---|---|---|
| **An entity ultimately controlled by a director** | | | |
| Guangxi Changbao Biological Technology Co., Ltd. | | | |
| Purchases of products | (i) | **1,960** | 3,030 |

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.

## 16. RELATED PARTY TRANSACTIONS *(Continued)*

### (b) Outstanding balances with related parties:

(i) The Group had an outstanding balance due from related parties of RMB653,000 (31 December 2018: RMB565,000) as at 30 June 2019. The entire outstanding balance is unsecured, non-interest-bearing and payable on demand.

(ii) The Group had an outstanding balance due to a director of RMB232,000 (31 December 2018: RMB232,000) as at 30 June 2019. The balance is unsecured, non-interest-bearing and repayable on demand.

(iii) The Group had an outstanding balance due to related parties of RMB666,000 (31 December 2018: Nil) as at 30 June 2019. The balance is unsecured, non-interest-bearing and repayable on demand.

(iv) Details of the Group's trade balances with its related parties as at 30 June 2019 are disclosed in note 13 to the interim condensed consolidated financial statements.

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Short-term employee benefits | **3,363** | 3,354 |
| Pension scheme contributions | **190** | 175 |
| Total compensation paid to key management | **3,553** | 3,529 |

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and amounts due from/to a director and related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of interest-bearing bank and other 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 2019, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors once a year for annual financial reporting.

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

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

The fair values of the bills receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 have been calculated by discounting the expected future cash flows, which are the par values of the bills receivable. In addition, the bills receivable will mature within one year, and thus their fair values approximate to their carrying values.

## 17. 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 2019 (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 |
| Bills receivable | – | 332,390 | – | 332,390 |

**As at 31 December 2018 (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 |
| Bills receivable | – | 366,693 | – | 366,693 |

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 (31 December 2018: Nil).

During the six months ended 30 June 2019, 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 2018: Nil).