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GOLDEN THROAT HOLDINGS GROUP COMPANY LIMITED

金嚟子控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6896)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

- Revenue increased by RMB22.1 million or 6.3% to RMB370.6 million, as compared to the six months ended 30 June 2015.
- Gross profit increased by RMB5.7 million or 2.3% to RMB258.4 million, as compared to the six months ended 30 June 2015.
- Earnings before interest, taxes, depreciation and amortisation increased by RMB7.6 million or 6.2% to RMB129.8 million, as compared to the six months ended 30 June 2015.
- Profit attributable to equity holders increased by RMB2.3 million or 2.6% to RMB92.3 million, as compared to the six months ended 30 June 2015.

RESULTS

The board of directors (the “Board”) of Golden Throat Holdings Group Company Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016, together with the comparative figures for the corresponding period of 2015, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

		2016	2015
	<i>Notes</i>	Unaudited	Unaudited
		RMB'000	RMB'000
REVENUE	5	370,638	348,462
Cost of sales		<u>(112,257)</u>	<u>(95,750)</u>
Gross profit		258,381	252,712
Other income and gains	5	12,035	5,678
Selling and distribution expenses		(108,940)	(105,023)
Administrative expenses		(28,600)	(34,382)
Other expenses		(6,432)	(286)
Finance costs		<u>(2,590)</u>	<u>(6,560)</u>
PROFIT BEFORE TAX	6	123,854	112,139
Income tax expense	7	<u>(31,586)</u>	<u>(22,107)</u>
PROFIT FOR THE PERIOD		<u>92,268</u>	<u>90,032</u>
Attributable to:			
Owners of the parent		<u>92,268</u>	<u>90,032</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	9	<u>RMB12 cents</u>	<u>RMB25 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	2016 Unaudited RMB'000	2015 Unaudited RMB'000
PROFIT FOR THE PERIOD	<u>92,268</u>	<u>90,032</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Changes in fair value	(471)	—
Exchange differences on translation of foreign operations	<u>11,374</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>10,903</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>103,171</u>	<u>90,032</u>
Attributable to:		
Owners of the parent	<u>103,171</u>	<u>90,032</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

		30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	39,074	36,923
Advance payments for property, plant and equipment		861	635
Prepaid land lease payments		40,317	40,818
Prepayments, deposits and other receivables		20,629	248
Deferred tax assets		7,319	16,083
Total non-current assets		108,200	94,707
CURRENT ASSETS			
Inventories		54,918	36,759
Trade and bills receivables	11	364,041	372,275
Prepayments, deposits and other receivables		183,580	42,412
Due from related parties	17(c)(i)	84	541
Available-for-sale investments	12	406,673	82
Cash and cash equivalents	13	285,241	754,664
Total current assets		1,294,537	1,206,733
CURRENT LIABILITIES			
Trade payables	14	13,945	10,302
Other payables and accruals		107,657	170,675
Interest-bearing bank borrowings	15	203,127	91,691
Due to a director	17(c)(ii)	226	96
Due to related parties	17(c)(iii)	85	110
Tax payable		37,592	47,648
Government grants		366	366
Total current liabilities		362,998	320,888
NET CURRENT ASSETS		931,539	885,845
TOTAL ASSETS LESS CURRENT LIABILITIES		1,039,739	980,552

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,039,739</u>	<u>980,552</u>
NON-CURRENT LIABILITIES		
Other payables and accruals	1,435	855
Government grants	2,279	2,462
Deferred tax liabilities	<u>2,448</u>	<u>8,790</u>
Total non-current liabilities	<u>6,162</u>	<u>12,107</u>
Net assets	<u><u>1,033,577</u></u>	<u><u>968,445</u></u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	115	115
Share premium	711,364	711,364
Reserves	<u>322,098</u>	<u>256,966</u>
Total equity	<u><u>1,033,577</u></u>	<u><u>968,445</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

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

For the six months ended 30 June 2015

	Attributable to owners of the parent								
	Share capital	Share premium account	Capital reserves	Statutory and other surplus reserves	Other reserves	Exchange fluctuation reserve	Available-for-sale investments revaluation reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	–	–	8,952	78,534	(24)	–	–	3,890	91,352
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	90,032	90,032
Issue of shares	84	–	–	–	–	–	–	–	84
At 30 June 2015 (Unaudited)	84	–	8,952	78,534	(24)	–	–	93,922	181,468

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

		2016	2015
		Unaudited	Unaudited
	Notes	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		123,854	112,139
Adjustments for:			
Depreciation of items of property, plant and equipment	6	2,885	3,254
Amortisation of prepaid land lease payments	6	501	288
Recognition of government grants		(183)	(893)
Loss on disposal of items of property, plant and equipment	6	–	70
Investment income from available-for-sale investments	5	(3,899)	(88)
Exchange loss, net	6	6,147	–
Bank interest income	5	(3,745)	(412)
Finance costs		2,590	6,560
Government grants for lower interest loans		–	(682)
Reversal of impairment of trade receivables	6	(549)	–
Write-down of inventories to net realisable value	6	16,382	215
		143,983	120,451
Decrease in trade and bills receivables		8,783	3,274
Increase in prepayments, deposits and other receivables		(156,705)	(12,036)
Decrease in amounts due from related parties		457	2,101
(Increase)/decrease in inventories		(34,541)	11,282
Increase in trade payables		3,643	1,713
Increase in amount due to a director		130	520
Decrease in other payables and accruals		(68,438)	(32,558)
Cash (used in)/generated from operations		(102,688)	94,747
Interest received		3,195	412
Interest paid		(2,590)	(5,878)
Income tax paid		(39,220)	(27,949)
Net cash flows (used in)/from operating activities		(141,303)	61,332

	2016 Unaudited RMB'000	2015 Unaudited RMB'000
Net cash flows (used in)/from operating activities	<u>(141,303)</u>	<u>61,332</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(5,262)	(1,267)
Prepayment of land lease payments	–	(21,221)
Purchases of available-for-sale investments	(538,613)	–
Proceeds from disposal of available-for-sale investments	139,907	1,065
Proceeds from disposal of items of property, plant and equipment	–	111
Decrease in prepayments, deposits and other receivables	<u>–</u>	<u>1,296</u>
Net cash flows used in investing activities	<u>(403,968)</u>	<u>(20,016)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	(1,306,530)	(257,982)
New bank loans	1,417,396	306,139
Decrease in amounts due to related parties	(25)	(7,506)
Increase in prepayments, deposit and other receivables	–	(2,851)
Decrease in pledged deposits	–	22,126
Increase in other payables and accruals	6,000	2,350
Dividends paid to shareholders	<u>(38,039)</u>	<u>(137,720)</u>
Net cash flows from/(used in) financing activities	<u>78,802</u>	<u>(75,444)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(466,469)	(34,128)
Cash and cash equivalents at beginning of period	754,664	127,163
Effect of foreign exchange rate changes, net	<u>(2,954)</u>	<u>–</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>285,241</u></u>	<u><u>93,035</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>285,241</u></u>	<u><u>93,035</u></u>

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 office of the Company is located at 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 succeeded its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

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

2. BASIS OF PREPARATION

The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 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 2015.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in 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 consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 10, HKFRS 12
and HKAS 28 (2011)
Amendments to HKFRS 11

HKFRS 14
Amendments to HKAS 1
Amendments to HKAS 16 and HKAS 38

Amendments to HKAS 16 and HKAS 41
Amendments to HKAS 27 (2011)
Annual Improvements 2012-2014 Cycle

*Investment Entities:
Applying the Consolidation Exception
Accounting for Acquisitions of Interests in Joint
Operations
Regulatory Deferral Accounts
Disclosure Initiative
Clarification of Acceptable Methods of Depreciation
and Amortisation
Agriculture: Bearer Plants
Equity Method in Separate Financial Statements
Amendments to a number of HKFRSs*

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

4. OPERATING SEGMENT INFORMATION

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue		
Sale of goods	<u>370,638</u>	<u>348,462</u>
Other income and gains		
Government grants	3,764	4,557
Bank interest income	3,745	412
Investment income from available-for-sale investments	3,899	88
Others	<u>627</u>	<u>621</u>
	<u>12,035</u>	<u>5,678</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold	112,257	95,750
Depreciation of items of property, plant and equipment	2,885	3,254
Amortisation of land lease payments	501	288
Research and development costs	844	853
Minimum lease payments under operating leases	956	343
Auditors' remuneration	778	630
Government grants	(3,764)	(4,557)
Bank interest income	(3,745)	(412)
Investment income from available-for-sale investments	(3,899)	(88)
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	26,628	25,754
Pension	4,335	4,022
Staff welfare expenses	7,161	7,323
	38,124	37,099
Loss on disposal of items of property, plant and equipment	–	70
Exchange loss, net	6,147	–
Donation	158	113
Reversal of impairment of trade receivables	(549)	–
Write-down of inventories to net realisable value	16,382	215

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	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Current tax:		
Charge for the period	20,374	20,162
Deferred tax	11,212	1,945
Total tax charge for the period	31,586	22,107

8. DIVIDENDS

A final dividend of HK6 cents per ordinary share for the year ended 31 December 2015 of RMB38,039,000 was approved by shareholders on 24 May 2016 and paid on 23 June 2016.

The Board did not declare any interim dividend for the six months ended 30 June 2016 (the six months ended 30 June 2015: 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	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	92,268	90,032

	Number of shares	
	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>749,183,000</u>	<u>355,166,520</u>

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 2016, the Group acquired assets with a cost of RMB5,036,000 (the six months ended 30 June 2015: RMB826,000).

No asset was disposed of by the Group during the six months ended 30 June 2016 (the six months ended 30 June 2015: RMB181,000), and no loss or gain recognised on disposal (the six months ended 30 June 2015: net loss on disposal of RMB70,000).

11. TRADE AND BILLS RECEIVABLES

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Trade receivables	89,961	60,409
Bills receivable	<u>275,705</u>	<u>314,189</u>
	365,666	374,598
Impairment	<u>(1,625)</u>	<u>(2,323)</u>
	<u>364,041</u>	<u>372,275</u>

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

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

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Less than 3 months	81,266	55,264
3 to 6 months	5,238	1,395
6 to 12 months	1,247	755
1 to 2 years	179	490
Over 2 years	406	182
	<u>88,336</u>	<u>58,086</u>

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Listed equity investments, at fair value (<i>note a</i>)	43	82
Unlisted investments, at fair value (<i>note b</i>)	406,630	—
	<u>406,673</u>	<u>82</u>

Notes:

- (a) Listed equity investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.
- (b) Unlisted investments represent corporate bonds and notes generate annual target return rate ranged from 1.75% to 6.875%, which will due within 15 May 2016 to 6 May 2026. As at 30 June 2016, the Group's unlisted investments with a carrying value of RMB406,630,000 (31 December 2015: Nil) were pledged as security for the banking facilities, which total outstandings for all the banking facilities cannot exceed the lower of USD100,000,000 and the aggregate collateral value.

13. CASH AND CASH EQUIVALENTS

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Cash and bank balances	<u>285,241</u>	<u>754,664</u>

14. TRADE PAYABLES

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Trade payables	13,945	10,302

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

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Less than 3 months	10,198	3,921
3 to 6 months	2,067	4,021
6 to 12 months	376	1,088
1 to 2 years	441	423
Over 2 years	863	849
	13,945	10,302

Included in the trade payables are trade payables of RMB339,000 (31 December 2015: Nil) due to Guangxi Weikete Biological Technology Co., Ltd., an entity ultimately controlled by a director. Those trade payables are repayable within 30 days, which represents credit terms similar to those offered by the related party to its major customers.

15. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Current				
1.15% US\$10,123,000 secured bank loan	1.51	Within 1 year	67,127	–
Bank loans – secured	3.37 - 5.60	Within 1 year	76,000	61,691
Bank loans – unsecured	4.35 – 5.60	Within 1 year	60,000	30,000
			203,127	91,691

Analysed into:

Bank loans repayable:

Within one year or on demand

203,127	91,691
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Notes:

- (a) Certain of the Group's bank loans are secured by:
- (i) mortgages over certain of the Group's leasehold lands which had an aggregate net carrying value at the end of the reporting period of RMB37,805,000 (31 December 2015: RMB38,258,000);
 - (ii) mortgages over certain of the Group's buildings which had an aggregate net carrying value at the end of the reporting period of RMB1,645,000 (31 December 2015: RMB1,717,000);
 - (iii) the pledge of the Group's bills receivable at the end of the reporting period of RMB23,518,000 (31 December 2015: RMB1,691,000); and
 - (iv) the pledge of the Group's available-for-sale investments at the end of the reporting period (31 December 2015: Nil) (note 12(b)).

A director of the Company, Jiang Peizhen, has guaranteed certain of the Group's bank loans up to RMB20,000,000 (31 December 2015: RMB20,000,000) as at the end of the reporting period (note 17(b)).

- (b) Except for the 1.51% secured bank loan which is denominated in United States dollars, all borrowings are in RMB.

16. COMMITMENTS

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

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Contracted, but not provided for:		
Land and buildings	<u><u>105,178</u></u>	<u><u>—</u></u>

17. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	Six months ended 30 June	
		2016	2015
		Unaudited	Unaudited
		RMB'000	RMB'000
An entity ultimately controlled by a director			
Guangxi Weikete Biological Technology Co., Ltd.			
Purchases of products	(i)	3,429	1,796
An entity significantly influenced by a director			
Golden Throat Football School			
Donation to	(ii)	<u><u>—</u></u>	<u><u>60</u></u>

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 donation was made based on mutual agreement.
- (b) Other transactions with related parties:
- A director of the Company, Jiang Peizhen, has guaranteed certain of the Group's bank loans up to RMB20,000,000 (31 December 2015: RMB20,000,000) as at the end of the reporting period (note 15).
- (c) Outstanding balances with related parties:
- (i) The Group had an outstanding balance due from related parties of RMB84,000 (31 December 2015: RMB541,000) as at the end of the reporting period. The balance is capital injection due from the shareholders, which is unsecured, non-interest-bearing and repayable on demand.
- (ii) The Group had an outstanding balance due to a director of RMB226,000 (31 December 2015: RMB96,000) as at the end of the reporting period. The balance is unsecured, non-interest-bearing and repayable on demand.

- (iii) The Group had an outstanding balance due to related parties of RMB85,000 (31 December 2015: RMB110,000) as at the end of the reporting period. 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 the end of the reporting period are disclosed in note 14 to the interim condensed consolidated financial statements.
- (d) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Short-term employee benefits	4,086	3,533
Pension scheme contributions	186	163
Total compensation paid to key management	<u>4,272</u>	<u>3,696</u>

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At 30 June 2016, 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.

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 2016 (Unaudited)

	Fair value measurement using			Total <i>RMB'000</i>
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
Available-for-sale investments	<u>43</u>	<u>406,630</u>	<u>–</u>	<u>406,673</u>

As at 31 December 2015 (Audited)

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

The Group did not have any financial liabilities measured at fair value as at 30 June 2016 and 31 December 2015.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (31 December 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as of 29 August 2016 (being the date of this announcement). It should be read in conjunction with the unaudited interim condensed consolidated financial statements (and notes thereto) of the Group for the six months ended 30 June 2016.

“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”	the framework agreement on strategic cooperation entered into between the Company and Jointown dated 15 February 2016.
“Golden Throat Biological Technology”	廣西金嗓子生物科技有限公司 (Guangxi Golden Throat Biological Technology Co., Ltd.*), a company with limited liability established in China on 19 April 2016 and a wholly-owned subsidiary of Golden Throat Company.
“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 and currently an indirect wholly-owned subsidiary of the Company, and will become a joint venture company, the equity capital of which will be owned as to 64.9% by Golden Throat Company, 29.1% by Qifeng, and 6.0% by Haode Investment.
“Golden Throat Import & Export Company”	廣西金嗓子進出口貿易有限公司 (Guangxi Golden Throat Import & Export Trading Co., Ltd.*), a company with limited liability established in China on 31 March 2016 and a wholly-owned subsidiary of Golden Throat Company.
“Golden Throat Lozenges (OTC)”	金嗓子喉片, one of the Group’s key products and approved as a type of over-the-counter medicine.
“Golden Throat Lozenge Series Products”	金嗓子喉寶系列產品, one of the Group’s key products and approved as food products.
“Golden Throat Herbal Vegetable Beverages Series Products”	金嗓子草本植物飲料系列產品, a series of the Group’s new products and approved as a type of food.
“Group”	the Company and its subsidiaries.
“Haode Investment”	珠海皓德投資諮詢有限公司 (Zhuhai Haode Investment Consulting Co., Ltd.*), a company with limited liability established in China on 17 November 2014, which is principally engaged in investment consultation and management, and an independent third party of the Company.
“Herbal Vegetable Beverage”	Golden Throat Herbal Vegetable Beverage (金嗓子草本植物飲料), a series of products under Golden Throat Herbal Vegetable Beverages Series Products.
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC.
“Investment Agreement”	the investment agreement entered into between Golden Throat Company, Qifeng, Haode Investment and Golden Throat Food Company on 3 June 2016.
“IPO Proceeds”	the net proceeds from the listing of the Company’s shares on the Stock Exchange.

“Jointown”	九州通醫藥集團股份有限公司 (Jointown Pharmaceutical Group Co., Ltd.), a company listed on the Shanghai Stock Exchange (stock code: 600998) and an independent third party of the Group.
“Listing Date”	15 July 2015.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time.
“Macau”	the Macau Special Administrative Region of the PRC.
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
“Qifeng”	啓豐食品科技(北京)有限公司(Qifeng Food Technology (Beijing) Company Limited*), a company with limited liability established in China on 30 March 2015 and an independent third party of the Company.
“OTC”	relating to pharmaceutical products which may, upon receiving the CFDA approval, be sold over the counter in China at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner.
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement only, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.
“Prospectus”	the prospectus of the Company dated 30 June 2015 in respect of the global offering of its shares.
“RMB”	Renminbi, the lawful currency of the PRC.
“R&D”	research and development.
“SC”	Certification of Standard on Food Production (issued by CFDA).
“Simplified Exclusive Distribution Agreement”	the distribution agreement entered into between Golden Throat Food Company and Qifeng on 15 April 2016.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

“Weikete”

廣西維科特生物技術有限公司 (Guangxi Weikete Biological Technology Co., Ltd.*), a company with limited liability established in China on 7 November 2001 and indirectly controlled by Ms. JIANG Peizhen.

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

BUSINESS REVIEW

The Group is a leading manufacturer of lozenges in China. In November 2015, the Group’s flagship product, Golden Throat Lozenges (OTC) was awarded No. 1 amongst Chinese traditional medicines (Throat) in 2015 by CNMA. The Group’s history dates back to 1956 when Liuzhou No. 2 Sweet Factory* (柳州市糖果二廠), the predecessor of Golden Throat Company, was established. Since then, the Group has developed into a comprehensive modern group mainly engaging in the manufacture and sale of lozenges and other pharmaceutical and food products.

Key Products

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

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

The Group’s flagship product is Golden Throat Lozenges (OTC), which was launched in 1994. It is a type of lozenge mainly designed to relieve symptoms of sore and dry throat and hoarse voice caused by acute pharyngitis. Golden Throat Lozenges (OTC) was approved as over-the-counter medicine by the CFDA, as such they can be purchased by the public in pharmacies without requiring the prescription of a qualified medical professional.

As of 30 June 2016, Golden Throat Lozenges (OTC) had been exported to the United States, Canada, the European Union, Australia, South Asia and Middle East.

For the six months ended 30 June 2016, the Group’s sales of Golden Throat Lozenges (OTC) accounted for 88.2% of its total revenue.

Golden Throat Lozenge Series Products – Food

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

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 were launched in 2013 to cater to those customers that prefer sugar-free products.

As of 30 June 2016, Golden Throat Lozenge Series Products were exported to seven countries and regions.

For the six months ended 30 June 2016, the Group's sales of Golden Throat Lozenge Series Products accounted for 5.6% of its total revenue.

Other Products

Sales of the Group's other products accounted for 6.2% of the Group's revenue for the six months ended 30 June 2016. One of the Group's other products is Yinxingye Tablet (銀杏葉片), which is mainly designed to facilitate blood circulation, remove blood stasis and dredge energy channels and was approved as a prescription medicine by the CFDA.

Research and Development

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

The Group's R&D activities are conducted both in-house and through collaborations with external research institutions, such as hospitals, institutes for drug research and other companies. As of 30 June 2016, the Group's R&D team consisted of approximately 280 people.

The Group will continue its co-operation with external research institutions in product research, development and commercialisation with the aim of improving production quality and efficiency. The Group intends to incur an aggregate of approximately RMB65 million on R&D activities within the three years from the Listing Date to July 2018. During the six months ended 30 June 2016, the Group had invested RMB0.8 million on R&D activities.

Pipeline Products

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

As of 30 June 2016, the Group's major pipeline products included a product with a new sugar-free flavour (hawthorn (山楂)) of Golden Throat Lozenge Series Products. The Group has developed such new product as an addition to the original six products of Golden Throat Lozenge Series Products, and the new product will be launched in due course.

New Products – Golden Throat Herbal Vegetable Beverages Series Products

Golden Throat Herbal Vegetable Beverages Series Products is a type of traditional Chinese vegetable drink. As of 30 June 2016, the Group had developed two series of Herbal Vegetable Beverage, namely sugar and sugar-free, both of which were launched in May 2016.

On 17 February 2016, Golden Throat Company established Golden Throat Food Company, which, pursuant to the Investment Agreement, will have a term of operation of 30 years from the date of establishment (i.e. 17 February 2016). Golden Throat Food Company is principally engaged in the development and sales of food and beverages, including Golden Throat Herbal Vegetable Beverages Series Products. As disclosed in the Company's announcement dated 3 June 2016, Golden Throat Company entered into the Investment Agreement with Qifeng and Haode Investment to increase the capital of Golden Throat Food Company on 3 June 2016.

On 15 April 2016, Golden Throat Food Company and Qifeng entered into the Simplified Exclusive Distribution Agreement and, on this basis, planned to enter into an exclusive distribution agreement for a term of ten years. Pursuant to the Simplified Exclusive Distribution Agreement, Golden Throat Food Company will grant exclusive rights to Qifeng to distribute Golden Throat Herbal Vegetable Beverages Series Products in the PRC, Hong Kong, Macau and Taiwan.

Sales, Marketing and Distribution

Branding

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

Distribution Network

The Group has established an extensive and structured nationwide sales and distribution network for its (a) over-the-counter medicines, (b) food products and (c) prescription medicines and medical apparatus. For the six months ended 30 June 2016, substantially all of the Group's revenue was generated from sales to distributors.

As of 30 June 2016, the Group's distribution network comprised over 300 distributors which were directly engaged by it covering all the provinces, autonomous regions and municipal cities throughout China. In addition, the Group has also engaged promoters to further facilitate its product promotion and advertising, communication with its customers and monitoring of the activities of its distributors.

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

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

Promoters

As of 30 June 2016, the Group had entered into products promotion cooperation agreements with 11 promoters. The primary reasons for engaging the promoters in certain regions are: (i) their knowledge of local markets and substantial experience in promoting products; and (ii) their familiarity with local municipal level agents and the Group benefits from their facilitation and ongoing feedback of such local markets.

Future Expansion and Upgrading Plan

For 2016, 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 distributorship network back in 2013 and will continue both to expand into new markets and to further penetrate its existing markets through the expansion of its sales team to provide more distribution and sales support to its distributors at the pharmacy level.

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

The Group also intends to increase its production capacity by constructing a new production base to meet the market demand for its Golden Throat Lozenges (OTC). The Group has acquired a new plot of land in Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region for the purpose of constructing a new medicines production and research and development base. The Group commenced construction in December 2015. After the expansion, the Group expects to have an increase in its annual manufacturing capacity of Golden Throat Lozenges (OTC), representing an increase of approximately 57% of the current capacity.

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

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2016, the Group's revenue amounted to approximately RMB370.6 million, as compared to RMB348.5 million for the six months ended 30 June 2015, representing an increase of approximately RMB22.1 million, or 6.3%. The increase was mainly attributable to the increase in sales of Golden Throat Lozenge Series Products and other products.

For the six months ended 30 June 2016, the Group's revenue from sales of Golden Throat Lozenges (OTC) increased to RMB326.7 million, as compared to RMB326.5 million for the six months ended 30 June 2015, representing an increase of approximately RMB0.2 million, or 0.1%. The Group's revenue from sales of Golden Throat Lozenges (OTC) for the six months ended 30 June 2016 slightly increased as compared to the corresponding period in 2015.

For the six months ended 30 June 2016, the Group's revenue from sales of Golden Throat Lozenge Series Products increased to RMB20.9 million, as compared to RMB17.5 million for the six months ended 30 June 2015, representing an increase of approximately RMB3.4 million, or 19.4%, primarily because the Group had strengthened its promotional efforts and distribution network for its Golden Throat Lozenge Series Products.

For the six months ended 30 June 2016, the Group's revenue from sales of other products increased to RMB23.0 million, as compared to RMB4.5 million for the six months ended 30 June 2015, representing an increase of approximately RMB18.5 million, or 411.1%. This was primarily because of the increase in the Group's sales volume of both Herbal Vegetable Beverage and Yinxingye Tablet for the six months ended 30 June 2016 as compared to the corresponding period in 2015.

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

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

	For the six months ended 30 June 2015					
	Sales	Revenue	Cost	Gross	Unit	Unit cost
	volume			margin	price	
	<i>boxes'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB</i>	<i>RMB</i>
Golden Throat Lozenges (OTC)	74,496	326,536	83,050	74.57	4.38	1.11
Golden Throat Lozenge Series Products	4,155	17,456	8,733	49.97	4.20	2.10

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 RMB95.8 million for the six months ended 30 June 2015 to approximately RMB112.3 million for the six months ended 30 June 2016, which accounted for approximately 30.3% of the Group's total revenue for the same period. The increase in the Group's cost of sales for the six months ended 30 June 2016 was mainly attributable to the increase in the write-down of inventories to net realisable value of Herbal Vegetable Beverage during their promotion period.

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

	For the six months ended 30 June 2016		For the six months ended 30 June 2015	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Packaging materials	39,783	35%	39,765	42%
Raw materials	19,983	18%	20,744	22%
Labor costs	22,925	20%	26,801	28%
Write-down of inventories to net realisable value	16,382	15%	215	—
Depreciation	2,121	2%	2,898	3%
Entrusted processing fees	1,134	1%	—	—
Other costs	9,929	9%	5,327	5%
Total	<u>112,257</u>	<u>100%</u>	<u>95,750</u>	<u>100%</u>

Gross Profit

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

For the six months ended 30 June 2016, the Group's gross profit increased to RMB258.4 million, as compared to RMB252.7 million for the six months ended 30 June 2015. The increase in the Group's gross profit was mainly due to the increase in revenue. The Group's gross profit margin decreased to 69.7% for the six months ended 30 June 2016 from 72.5% for the corresponding period of 2015.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income and investment income. For the six months ended 30 June 2016, the Group's other income and gains increased to RMB12.0 million, as compared to RMB5.7 million for the six months ended 30 June 2015, representing an increase of approximately RMB6.3 million. The increase was mainly attributable to the interests from the Group's bank deposits generated from the IPO Proceeds upon the Company's successful listing in July 2015, and the interests generated from the wealth management products invested in by the Group.

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 2016, the Group's selling and distribution expenses amounted to approximately RMB108.9 million, as compared to RMB105.0 million for the six months ended 30 June 2015, representing an increase of approximately RMB3.9 million, or 3.7%. The increase was mainly attributable to the Group's advertising expenses in connection with the launch of Herbal Vegetable Beverage in May 2016.

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 2016, the Group's administrative expenses amounted to approximately RMB28.6 million, as compared to RMB34.4 million for the six months ended 30 June 2015, representing a decrease of approximately RMB5.8 million, or 16.9%. The decrease was mainly because for the six months ended 30 June 2015, the Group incurred an one-off listing expense, whereas there was no such expense incurred during the six months ended 30 June 2016.

Other Expenses

The Group's other expenses primarily consisted of its (i) donations for charity purposes, (ii) obsolete materials, and (iii) exchange losses. For the six months ended 30 June 2016, the Group's other expenses amounted to approximately RMB6.4 million, as compared to RMB0.3 million for the six months ended 30 June 2015, representing an increase of approximately RMB6.1 million. The increase was mainly because the Group held a substantial amount of foreign currencies during the six months ended 30 June 2016 as compared to the same period in 2015 and the exchange rate fluctuations have resulted in exchange losses.

Finance Costs

For the six months ended 30 June 2016, the Group's finance costs amounted to RMB2.6 million, as compared to RMB6.6 million for the six months ended 30 June 2015, representing a decrease of approximately RMB4.0 million, or 60.6%. The decrease was mainly due to the interest expenses incurred from discounting of bank acceptance bills by the Group in the corresponding period in 2015, whereas no discounting of bills had been recorded for the six months ended 30 June 2016.

Income Tax Expense

For the six months ended 30 June 2016, the Group's income tax expense amounted to RMB31.6 million, as compared to RMB22.1 million for the six months ended 30 June 2015, representing an increase of RMB9.5 million, or 43.0%. The effective tax rate for the six months ended 30 June 2016 and the corresponding period of 2015 was 25.5% and 19.7%, respectively. The increase in such income tax expense and effective tax rate was mainly attributable to the fact that the Group no longer enjoys the former tax preferential policy for pre-tax deduction of advertising expenses and business promotion expenses of pharmaceutical manufacturers, which was no longer in effect since 1 January 2016.

Net Profit

The Group's net profit for the six months ended 30 June 2016 was approximately RMB92.3 million, as compared to RMB90.0 million for the six months ended 30 June 2015, representing an increase of approximately RMB2.3 million, or 2.6%. The increase in the Group's net profit was mainly due to the increase in revenue.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As of 30 June 2016, the Group had net current assets of approximately RMB931.5 million, as compared to RMB885.8 million as of 31 December 2015. The current ratio of the Group decreased to approximately 3.6 as of 30 June 2016 from 3.8 as of 31 December 2015. The increase in net current assets was mainly attributable to the increase in the Group's net profit earned for the six months ended 30 June 2016.

Borrowing and the Pledge of Assets

As of 30 June 2016, the Group had an aggregate interest-bearing bank borrowings of approximately RMB203.1 million, as compared to approximately RMB91.7 million as of 31 December 2015. All the bank borrowings are repayable within one year. As of 30 June 2016, the bank borrowings were made up of bank loans. 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 2016 were at fixed interest rates. For details of such borrowings, please refer to Note 15 of the Group's interim condensed consolidated financial statements above.

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

Certain of the Group's leasehold lands with an aggregate net carrying value of RMB37.8 million was pledged to secure bank loans as of 30 June 2016, as compared to RMB38.3 million as of 31 December 2015.

Certain of the Group's buildings with an aggregate net carrying value of RMB1.6 million was pledged to secure bank loans as of 30 June 2016, as compared to RMB1.7 million as of 31 December 2015.

The Group's bills receivable of RMB23.5 million was pledged to secure bank loans as of 30 June 2016, as compared to RMB1.7 million as of 31 December 2015. The increase in the amount of bills receivable pledged was primarily for securing more bank loans.

Gearing Ratio

As of 30 June 2016, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to approximately 19.6% from approximately 9.5% as of 31 December 2015. The increase was primarily attributable to the Group's increased bank borrowings from RMB91.7 million as of 31 December 2015 to RMB203.1 million as of 30 June 2016 and increased total equity from RMB968.4 million as of 31 December 2015 to RMB1,033.6 million as of 30 June 2016 as a result of the Group's net profit earned for the six months ended 30 June 2016.

Contingent Liabilities

As of 30 June 2016, the Group had no significant contingent liabilities.

Foreign Exchange Risk

The Group's transactions are mainly denominated and settled in RMB. The Group had certain amounts of deposit and available-for-sale investments in HKD and USD, amounting to HK\$110.1 million and US\$63.2 million as of 30 June 2016, respectively. The Group has exposure to foreign exchange risk that arises from fluctuations in the exchange rates of HKD to RMB and USD to RMB.

Since March 2016, the Group has commenced purchasing USD-denominated wealth management products. As of 30 June 2016, the balance of wealth management products amounted to US\$61.4 million.

For the six months ended 30 June 2016, the Group had not used any financial instrument to hedge its foreign exchange risk.

EMPLOYEES AND EMOLUMENTS POLICY

As of 30 June 2016, the Group employed a total of 1,071 full-time employees, as compared to a total of 1,104 full-time employees as of 30 June 2015. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB30.7 million for the six months ended 30 June 2016 as compared to RMB30.4 million for the corresponding period in 2015. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end bonuses are offered to those staffs with outstanding performances to attract and retain capable employees of the Group.

SIGNIFICANT INVESTMENTS HELD

For the six months ended 30 June 2016, save as disclosed below, the Group did not have any significant investments.

1. On 17 February 2016, Golden Throat Company established Golden Throat Food Company, which, pursuant to the Investment Agreement, will have a term of operation of 30 years from the date of establishment (i.e. 17 February 2016). Golden Throat Food Company is principally engaged in the development and sales of food and beverages, including Golden Throat Herbal Vegetable Beverages Series Products. As disclosed in the Company's announcement dated 3 June 2016, Golden Throat Company entered into the Investment Agreement with Qifeng and Haode Investment to increase the capital of Golden Throat Food Company on 3 June 2016. After completion of the above capital increase, the total registered capital of Golden Throat Food Company will be increased to RMB100 million.
2. On 31 March 2016, Golden Throat Company established Golden Throat Import & Export Company, which has a term of operation of 20 years from the date of establishment (i.e. 31 March 2016) and a total registered capital of RMB2.1 million. Golden Throat Import & Export Company is principally engaged in the import and export trading of goods. As mentioned above, the Group has engaged Golden Throat Import & Export Company to sell its products to overseas markets, and therefore it plays an important role in the Group's distribution network.
3. On 19 April 2016, Golden Throat Company established Golden Throat Biological Technology, which has a term of operation of 20 years from the date of establishment (i.e. 19 April 2016) and a total registered capital of RMB2 million. Golden Throat Biological Technology is principally engaged in the research and development, processing and sales of the Herbal Vegetable Beverage concentrates. It sells the Herbal Vegetable Beverage concentrates to Golden Throat Food Company, and therefore it will play an important role in the production of Golden Throat Herbal Vegetable Beverages Series Products.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 30 June 2016, the Group committed to invest approximately RMB105 million for the purpose of constructing a new medicines production and research and development base in Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region. For details of such commitment, please refer to Note 16 of the Group's interim condensed consolidated financial statements above. Save as mentioned above, the Group currently does not have other plans for material investments or capital assets.

SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

There were no important events affecting the Group which have occurred since 30 June 2016.

PROSPECTS

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

USE OF NET PROCEEDS FROM LISTING

The IPO Proceeds (including those shares issued pursuant to the partial exercise of the over-allotment option), after deducting underwriting fees and related expenses, amounted to approximately HK\$909.6 million, which are intended to be applied in the manner disclosed in the Prospectus. Details of the use of the IPO Proceeds are set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As of 30 June 2016, there was no change to the intended use of the IPO Proceeds as disclosed in the Prospectus.

From the Listing Date to 30 June 2016, the Group had utilised approximately HK\$192.1 million, representing approximately 21% 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	2,216	0.24
Conversion of headquarters	—	—
Market expansion	94,771	10.42
Product development	2,288	0.25
Establishment of Chinese herbs processing base	—	—
Refinement and upgrade of electronic code system	1,903	0.21
General working capital	90,960	10.00

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. Except as disclosed below, the Company had complied with all the applicable code provisions set out in the CG Code during the six months ended 30 June 2016.

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. Accordingly, the Board believes that with regular and timely communications among the Directors and the management of the Group, potential claims and legal actions against the Directors can be handled effectively without the need for insurance to be maintained. The Board will regularly review the procedures in handling potential claims and legal actions and take into account the requirements of the Directors and will monitor the need for making such an arrangement.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. After having made specific enquiry to all Directors, the Company confirmed that all of the Directors had complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries for the six months ended 30 June 2016.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed together with the Board the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016. 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 2016 are unaudited.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2016 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.goldenthroat.com), and the interim report for the six months ended 30 June 2016 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Guangxi, the PRC, 29 August 2016

As at the date of this announcement, the Board consists of Ms. JIANG Peizhen as non-executive Director, Mr. ZENG Yong, Mr. HUANG Jianping, Mr. ZENG Kexiong, Mr. LU Xinghong and Mr. HE Jinqiang as executive Directors, and Mr. LI Hua, Mr. ZHU Jierong and Mr. CHENG Yiqun as independent non-executive Directors.

* *For identification purpose only*