

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



GOLDEN THROAT HOLDINGS GROUP COMPANY LIMITED **金嚨子控股集團有限公司**

(Incorporated under the laws of the Cayman Islands with limited liability of its members)

(Stock Code: 6896)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2022:

- The Group's Revenue decreased by approximately RMB61.2 million or 16.4% to approximately RMB312.1 million, as compared to the six months ended 30 June 2021.
- The Group's Gross profit decreased by approximately RMB48.5 million or 17.6% to approximately RMB227.1 million, as compared to the six months ended 30 June 2021.
- The Group's earnings before interest, taxes, depreciation and amortisation decreased by approximately RMB19.4 million or 16.4% to approximately RMB99.1 million, as compared to the six months ended 30 June 2021.
- Profit attributable to equity holders of the Company decreased by approximately RMB24.8 million or 30.4% to approximately RMB56.7 million, as compared to the year ended 31 December 2021.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Golden Throat Holdings Group Company Limited (the “**Company**”) would like to announce the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period of 2021, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
	<i>Notes</i>		
REVENUE	5	312,112	373,290
Cost of sales		<u>(85,045)</u>	<u>(97,684)</u>
Gross profit		227,067	275,606
Other income and gains		10,939	20,092
Selling and distribution expenses		(119,258)	(147,891)
Administrative expenses		(36,819)	(46,658)
Other expenses		(1,740)	(586)
Finance costs		<u>(4,550)</u>	<u>(2,943)</u>
PROFIT BEFORE TAX	6	75,639	97,620
Income tax expense	7	<u>(18,907)</u>	<u>(16,109)</u>
PROFIT FOR THE PERIOD		<u>56,732</u>	<u>81,511</u>
Attributable to:			
Owners of the parent	9	<u>56,732</u>	<u>81,511</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted		<u>RMB8 cents</u>	<u>RMB11 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>56,732</u>	<u>81,511</u>
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	<u>2,036</u>	<u>(4,071)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>2,036</u>	<u>(4,071)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>2,036</u>	<u>(4,071)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>58,768</u>	<u>77,440</u>
Attributable to:		
Owners of the parent	<u>58,768</u>	<u>77,440</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	437,398	445,996
Advance payments for property, plant and equipment		1,081	478
Right-of-use assets		51,801	53,336
Prepayments, other receivables and other assets		–	108
Deferred tax assets		15,151	18,363
		<hr/>	<hr/>
Total non-current assets		505,431	518,281
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		108,599	64,963
Trade and bills receivables	<i>11</i>	188,648	415,971
Prepayments, other receivables and other assets		85,028	95,594
Due from related parties		479	459
Financial assets at fair value through profit or loss		40,000	80,000
Pledged deposits		64,863	55,072
Cash and cash equivalents		831,579	722,839
		<hr/>	<hr/>
Total current assets		1,319,196	1,434,898
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	<i>12</i>	20,180	21,829
Other payables and accruals		166,435	283,712
Interest-bearing bank and other borrowings	<i>13</i>	305,814	234,999
Due to a director		226	216
Due to related parties		864	860
Tax payable		15,560	37,236
Government grants		316	366
		<hr/>	<hr/>
Total current liabilities		509,395	579,218
		<hr/>	<hr/>
NET CURRENT ASSETS		809,801	855,680
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,315,232	1,373,961
		<hr/>	<hr/>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

30 June 2022

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,315,232</u>	<u>1,373,961</u>
NON-CURRENT LIABILITIES		
Other payables and accruals	800	890
Government grants	208	341
Deferred tax liabilities	<u>–</u>	<u>7,587</u>
Total non-current liabilities	<u>1,008</u>	<u>8,818</u>
Net assets	<u>1,314,224</u>	<u>1,365,143</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	113	113
Share premium	675,410	675,410
Reserves	<u>638,701</u>	<u>689,620</u>
Total equity	<u>1,314,224</u>	<u>1,365,143</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<i>Note</i>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	75,639	97,620
Adjustments for:		
Depreciation of property, plant and equipment	16,926	16,237
Depreciation of right-of-use assets	1,942	1,731
Recognition of government grants	(183)	(183)
Gain on disposal of items of property, plant and equipment	(88)	–
Investment income from financial assets at fair value through profit or loss	(1,254)	(381)
Foreign exchange differences, net	1,473	(3,095)
Bank interest income	(7,435)	(8,427)
Finance costs	4,550	2,943
Impairment of trade receivables, net	310	36
Impairment of other receivables, net	–	(14)
Write-down of inventories to net realisable value	–	2
	<u>91,880</u>	106,469
Increase in inventories	(43,636)	(31,149)
Decrease in trade and bills receivables	227,013	73,123
Decrease/(increase) in prepayments, other receivables and other assets	10,674	(37,871)
(Decrease)/increase in trade payables	(1,649)	11,347
Increase in amounts due from related parties	(20)	–
Increase in amounts due to related parties	4	–
Increase in amounts due to a director	10	–
(Decrease)/increase in other payables and accruals	(117,277)	15,527
	<u>166,999</u>	137,446
Cash generated from operations	166,999	137,446
Interest received	7,435	8,470
Interest paid	(4,550)	(2,943)
Income tax paid	(44,958)	(39,067)
	<u>124,926</u>	103,906
Net cash flows from operating activities	<u>124,926</u>	103,906

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*For the six months ended 30 June 2022*

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Net cash flows from operating activities	<u>124,926</u>	<u>103,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(9,145)	(36,353)
Acquisition of land use rights	–	(7,902)
Purchases of financial assets at fair value through profit or loss	(126,000)	(206,990)
Proceeds from disposal of financial assets at fair value through profit or loss	167,254	85,381
Increase in time deposits with original maturity of over three months	(55,000)	–
Proceeds from disposal of items of property, plant and equipment	<u>212</u>	<u>–</u>
Net cash flows used in investing activities	<u>(22,679)</u>	<u>(165,864)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	196,111	210,348
Repayment of bank loans	(125,097)	(152,450)
Principal portion of lease payments	(199)	–
Dividends paid to shareholders	(109,687)	(37,122)
Increase in pledged deposits	<u>(9,791)</u>	<u>(15,879)</u>
Net cash flows (used in)/from financing activities	<u>(48,663)</u>	<u>4,897</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	53,584	(57,061)
Cash and cash equivalents at beginning of period	712,839	705,537
Effect of foreign exchange rate changes, net	<u>156</u>	<u>(846)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>766,579</u></u>	<u><u>647,630</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	831,579	647,630
Time deposits with original maturity of over than three months when acquired	<u>(65,000)</u>	<u>–</u>
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	<u><u>766,579</u></u>	<u><u>647,630</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 was incorporated in British Virgin Islands.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the 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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3
Amendments to HKAS 16
Amendments to HKAS 37
*Annual Improvements to HKFRSs
2018-2020*

*Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples
accompanying HKFRS 16, and HKAS 41*

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
 - (i) HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- (ii) HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

4. OPERATING SEGMENT INFORMATION

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

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<i>Revenue from contracts with customers</i>	312,104	373,263
<i>Revenue from other sources</i>		
Gross rental income	<u>8</u>	<u>27</u>
	<u>312,112</u>	<u>373,290</u>

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

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	85,045	97,684
Depreciation of property, plant and equipment	16,926	16,237
Depreciation of right-of-use assets	1,942	1,731
Investment income from financial assets at fair value through profit or loss	(1,254)	(381)
Bank interest income	(7,435)	(8,427)
Foreign exchange differences, net	1,473	(3,095)
Gain on disposal of items of property, plant and equipment	<u>(88)</u>	<u>–</u>

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

The provision for Mainland China income tax has been made at the applicable income tax rate of 25% on the assessable profits of certain PRC subsidiaries of the Group in accordance with the PRC Corporate Income Tax Law. Two subsidiaries of the Group in Mainland China are qualified as companies under the development strategy of China western region and were subject to tax at a preferential income tax rate of 15% (2021: 15%) for the period. Other two subsidiaries of the Group in Mainland China were entitled to a preferential income tax rate of 20% (2021: 20%) as small and micro enterprises with the first RMB1,000,000 of annual taxable income eligible for a 87.50% (2021: 87.5%) reduction and the income between RMB1,000,000 and RMB3,000,000 eligible for a 75% (2021: 50%) reduction.

The income tax expense of the Group during the period is analysed as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax:		
Charge for the period	23,282	23,188
Deferred tax	(4,375)	(7,079)
Total tax charge for the period	<u>18,907</u>	<u>16,109</u>

8. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Final declared and paid – HK\$0.18 (2021: HK\$0.06) per ordinary share	<u>109,687</u>	<u>37,122</u>

The Board did not declare any interim dividend for the six months ended 30 June 2022 (the six months ended 30 June 2021: Nil).

11. TRADE AND BILLS RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade receivables	34,881	25,538
Bills receivable	155,285	391,641
	190,166	417,179
Impairment	(1,518)	(1,208)
	188,648	415,971

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Less than 3 months	25,680	20,771
3 to 6 months	287	421
6 to 12 months	6,602	2,062
1 to 2 years	415	743
Over 2 years	379	333
	33,363	24,330

At 30 June 2022, certain of the Group's bills receivable amounting to RMB20,579,000 (31 December 2021: RMB17,529,000) were pledged to secure bank loans granted to the Group (note 13).

12. TRADE PAYABLES

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Less than 3 months	16,153	16,876
3 to 6 months	1,692	595
6 to 12 months	580	1,005
1 to 2 years	589	2,185
Over 2 years	1,166	1,168
	<u>20,180</u>	<u>21,829</u>

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

		30 June 2022		31 December 2021	
	Maturity	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000
Current					
Lease liabilities	Within 1 year	4.75	203	4.75	402
Bank loans – secured	Within 1 year	1.70-4.35	169,500	1.70-4.35	118,500
Bank loans – unsecured	Within 1 year	3.85	119,900	3.85	50,000
Discounted bills receivable	Within 1 year	2.00-2.80	16,211	2.20-3.50	66,097
			<u>305,814</u>		<u>234,999</u>
Analysed into:					
Bank loans repayable:					
	Within one year or on demand		<u>305,611</u>		<u>234,597</u>
Other borrowings repayable:					
	Within one year or on demand		<u>203</u>		<u>402</u>
			<u>305,814</u>		<u>234,999</u>

Notes:

- a) Certain of the Group's bank loans are secured by:
- (i) the pledge of the Group's bills receivables amounting to RMB20,579,000 (31 December 2021: RMB17,529,000) (note11);
 - (ii) the pledge of certain of the Group's deposits amounting to RMB64,863,000 (31 December 2021: RMB55,072,000);
 - (iii) mortgages over the Group's leasehold land, which had a net carrying value of approximately RMB13,366,000 (31 December 2021: Nil); and
 - (iv) mortgages over the Group's buildings, which had a net carrying value of approximately RMB3,273,000 (31 December 2021: Nil) (note 10).
- b) A director of the Group, Ms. Jiang Peizhen, has guaranteed certain of the Group's bank loans amounting to RMB50,000,000 (31 December 2021: RMB50,000,000) as at 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as at 24 August 2022 (being the date of this announcement). 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 2022. Unless the context otherwise requires, the following expressions shall have the following meanings:

“ASEAN”	Association of Southeast Asian Nations
“Audit Committee”	the audit committee of the Board, established on 13 February 2015
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company” or “Golden Throat”	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
“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 Lozenges Series Products”	Golden Throat Lozenges 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
“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
“Listing Date”	15 July 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

“NMPA”	China National Medical Products Administration (中國國家藥品監督管理局), formerly known as China Food and Drug Administration (國家食品藥品監督管理總局)
“OTC”	pharmaceutical products which may, upon receiving the NMPA’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 announcement 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
“Shares”	ordinary shares in the capital of the Company with a nominal value of US\$0.000025 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

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

BUSINESS REVIEW

The Group is a leading manufacturer of lozenges in China. In October 2021, in the 2021 overall statistical ranking of China nonprescription medicines enterprises and product brands, Golden Throat Lozenges (OTC) stood out among many products and was awarded No. 1 amongst Chinese traditional medicines (Throat) by China Nonprescription Medicines Association. It ranked 43rd amongst the nonprescription manufacturing enterprises in the 2021 overall statistical ranking of China non-prescription medicines enterprises and product brands. It was also listed in the Top 500 Chinese Brands at the 14th China Brand Festival in August 2020. In August 2020, the Group claimed the title of “2019 China Traditional Medicines Pharmaceutical Industry Top 100 Enterprise” at the China Pharmaceutical Industry Top 100 Annual Assembly. 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.

Since early 2020, in response to the sudden outbreak of novel coronavirus (“**COVID-19**”) pandemic, the Group proactively responded and took the initiative to resume production, as well as using all domestic and overseas resources to actively organise anti-pandemic materials and fundraising. Due to the impact of the COVID-19 pandemic in the first half of 2022, the offline business of Golden Throat Lozenges (OTC) and Golden Throat Lozenges Series Products was affected to a certain extent.

In 2022, the Group will continue to optimise and enrich its product portfolio based on consumer demand. It will also continue to strengthen its organisational capabilities, allocate resources based on customer-focused operations and digital marketing, promote organisational capability enhancement and establish a new logic for the Group’s product growth, with a view to achieving sound and healthy development of the Group in future.

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 NMPA, as such they can be purchased by the public in pharmacies without requiring the prescription of a qualified medical professional.

As of 30 June 2022, Golden Throat Lozenges (OTC) were exported to the United States, Canada, Russia, the European Union, Australia, Southeast Asia, Middle East, Mexico, Mongolia and Africa, across five continents of the world.

During the six months ended 30 June 2022, the Group's sales of Golden Throat Lozenges (OTC) accounted for approximately 89.4% 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.

As of 30 June 2022, Golden Throat Lozenge Series Products were exported to 17 countries and regions.

During the six months ended 30 June 2022, the Group's revenue from the sales of Golden Throat Lozenge Series Products accounted for approximately 9.7% of its total revenue.

Other Products

Sales of the Group's other products accounted for approximately 0.9% of the Group's revenue for the six months ended 30 June 2022. Two of the Group's other products are Yinxingye Tablet (銀杏葉片) and Golden Throat Prebiotics (腸寶). 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 NMPA.

Golden Throat Prebiotics (金嗓子腸寶), also known as prebiotics, is the Group's new product and an exclusive nutrition for probiotics. It uses the targeting properties of prebiotics to deliver exclusive nutrition favored by probiotics to specific parts of the probiotic-rich intestine. This results in a significant increase in intestinal probiotics, especially the number and proportion of bifidobacteria. It also increases intestinal probiotics to promote intestinal health.

In June 2022, the Golden Throat compound probiotic lozenges, which was developed by the Group and the scientific research team of “Food Microbial Function Development” of Beijing Agricultural College, was launched. To address the lack of self-developed probiotics in China, we have developed six kinds of proprietary probiotic bacteria in three new flavors in Golden Throat compound probiotic lozenges. We are committed to using “Chinese bacteria” to improve the physique of Chinese people. Golden Throat Compound Probiotics adopts the internationally leading three-layer embedding technology, 360-degree thermal radiation freeze-drying technology, and automatic ingredient fermentation and cultivation system.

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 35 new products for which it has obtained manufacturing permits, including eight pharmaceutical products (including Jinyin Sanqi Capsule (金銀三七膠囊)), 21 food products, one health supplement and one 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.

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. In May 2021, the Golden Throat brand story “The Treasure of Each Other” won the Gold Award for film and television works at the 21st IAI Design Awards. In October 2021, in the 2021 overall statistical ranking of China nonprescription medicines enterprises and product brands, Golden Throat Lozenges (OTC) stood out among many products and was awarded No. 1 amongst Chinese traditional medicines (Throat) by China Nonprescription Medicines Association and ranked 43 amongst the non-prescription medicines enterprises.

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. As at 30 June 2022, substantially all of the Group’s revenue was generated from sales to distributors.

As of 30 June 2022, the Group's distribution network covers all provinces, autonomous regions and municipalities in the PRC. In 2022, after the integration of distributor channels, the Group will further strengthen cooperation with leading distributors and chain pharmacies, and continue to expand into new markets. In addition, the Group supplies grassroots pharmacies and clinics through an online drug procurement platform, and further streamlines the procurement process for distributors.

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 Africa export covers five continents of the world. The Group has actively responded to China's top-level strategy – the national “Belt and Road” initiative, of which 10 ASEAN countries play a vital role in its strategy. Up to now, the Company has successfully entered into agency agreements with all of the 10 ASEAN countries, and its products were exported to nine countries, except Laos.

In October 2018, the Group established Golden Throat Lozenge 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. Now, the dual development of retail pharmacies and online sales contributes to the development of an efficient and comprehensive distribution system.

In 2022, against the backdrop of the global COVID-19 outbreak, the sales of the Group's product were more or less affected by the recurrence of the pandemic in some regions in China.

Promoters

As of 30 June 2022, 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.

Market Review

In recent years, as the global pharmaceutical market grows steadily with the growth of global population and the increasing level of ageing population, the demand for and the types of medical services and medicines have been rising. Besides, the rising living standard gives rise to the increasing awareness of health management among the citizens, which has fostered the steady development of the global pharmaceutical market. Throat diseases are common and are frequently triggered. Given that the particulate matter 2.5 (PM2.5) has been at an unhealthy level in most of the major cities in China for a long time in recent years, air pollution is one of the main causes of respiratory infections, especially pharyngitis. In view of the air pollution problem, consumers are more concerned about protecting their throats, and the pharmaceutical and lozenge market in China is expected to grow continuously. Furthermore, young people these days also pay attention to throat products that can effectively remove oral odor that cool the throat and refresh the mind. The flagship products of the Group, Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products, cover a wide range of pharmacies and supermarkets to provide consumers with purchasing channels that are more convenient.

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

Future Expansion and Upgrading Plan

In the future, the Group will remain committed to consumers' demand, continue to optimise and enrich its product portfolio, persistently strengthen its organisational capabilities, allocate resources to focus on customer-centric operation and digital marketing, thereby promoting the enhancement of its organisational capabilities and forming a new growth logic of the Group's products so as to realise positive and healthy development of the Group, continue to strengthen its leading position in the lozenge market and continue to expand its market share in the PRC pharmaceutical and food products markets.

The impact of the outbreak of the COVID-19 pandemic in early 2020 had a profound effect on economic development, industry patterns and lifestyles. Despite the short-term turmoil, people have become more concerned about their physical and mental health, the opportunities for the industry will only continue to grow, and the market is still full of momentum and hope. In view of this, the Group will continue to strengthen its "single brand, multi-category, multi-channel" development strategy. Focusing on product, channel and retail operation capabilities as well as supply chain management, the Group will continue to attract consumers' attention through creative features, exclusive product sales and innovative diversified channel development to enrich the brand image and impact. Since 2020, residents' out-of-home consumption has decreased, online consumption has become the main consumption scenario, and e-commerce and new retail have continued to develop.

After the Group's Golden Throat WeChat Mini Program Mall was launched in early 2020, we will continue to expand online sales channels in 2022. We believe that there will be new breakthroughs in online business in the future. In order to further enhance the popularity of the Group's products and its brand awareness and image in China, the Group will continue to maintain and promote its "Golden Throat" brand, aiming to build it into an effective, safe and curative throat lozenge brand in China. The Group plans to expand and strengthen its media marketing and publicity efforts by increasing advertisements in the wider Internet media. The Group's professional marketing team will continue to work closely with distributors to design and carry out efficient targeted marketing and promotional campaigns.

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 of 30 June 2022, plants and office buildings, the commissioning and trial production stage of the production line of a new medicine production and research and development base of the Group located at Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region were completed and the Group gradually relocated in the second half of 2021. The new production base covers a usable area of about 60,000 square meters, including research and development centers, production plants, warehouses and administrative office buildings. The fully automated production line in the production plant will improve the efficiency of the production process. A brand-new modern production enterprise will be formed with the new production and research and development base, new factories, new workflow and new production lines, which will completely upgrade the management platform and manufacturing platform of the factories, comprehensively improving the manufacturing quality and technology content of the products, enhancing the comprehensive competitiveness of the Company, and will lay a solid foundation for expanding and strengthening the Company.

In 2021, the Group selected a piece of land covering an area of 48 mu in the south of the new drug production and R&D base as the site for the second phase of the new Golden Throat Base, which is expected to have a usable area of approximately 50,000 square meters after completion. According to the plan, a food production plant and a food research and development center will be built. After completion, a high-tech R&D team, smart manufacturing and smart sales will be introduced to develop more comprehensive health products.

The second phase of the Golden Throat new base will help build the core leading position of the Golden Throat Doctor Workstation, the Golden Throat Professor Workstation, the Golden Throat Research Institute, the Golden Throat Gastrointestinal Research Institute, and the Golden Throat Heart and Brain Research Institute, facilitate the development of new products such as genetic medicines, traditional Chinese medicine prescriptions, specialty medical devices, and specialty health foods, promote the implementation of the second phase of the Golden Throat project, which create continuous innovation to promote the development of the Golden Throat health industry. As of 30 June 2022, the second phase of the Golden Throat new base is in the initial stage of construction.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group's revenue decreased by approximately RMB61.2 million or 16.4% to approximately RMB312.1 million, as compared to approximately RMB373.3 million for the six months ended 30 June 2021.

For the six months ended 30 June 2022, the Group's revenue generated from sales of Golden Throat Lozenges (OTC) was approximately RMB279.1 million, representing a decrease of approximately RMB54.2 million or 16.3% as compared to approximately RMB333.3 million for the six months ended 30 June 2021. The decrease in the Group's total revenue, and in the revenue generated from the sales of Golden Throat Lozenges (OTC), was mainly due to the sales of Golden Throat Lozenges (OTC) was more or less affected by the recurrence of COVID-19 pandemic in some regions in China during the first half of 2022.

For the six months ended 30 June 2022, the Group's revenue from the sales of the Golden Throat Lozenge Series Products amounted to approximately RMB30.2 million as compared to approximately RMB35.2 million for the six months ended 30 June 2021, representing a decrease of approximately RMB5.0 million or 14.2%, which was mainly attributable to the fact that sales volume decreased as a result of the influence of COVID-19 pandemic in some regions in China.

For the six months ended 30 June 2022, the Group's revenue from sales of other products amounted to approximately RMB2.8 million as compared to approximately RMB4.8 million for the six months ended 30 June 2021, representing a decrease of approximately RMB2.0 million or 41.7%, which was mainly attributable to the fact that sales volume decreased as a result of the influence of COVID-19 pandemic in some regions in China.

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 2022 (Unaudited)					
	Sales	Revenue	Cost	Gross	Unit price	Unit cost
	volume <i>Boxes '000</i>	<i>RMB'000</i>	<i>RMB'000</i>	margin %	<i>RMB</i>	<i>RMB</i>
Golden Throat Lozenges (OTC)	39,888	279,084	70,146	74.9	7.0	1.8
Golden Throat Lozenge Series Products	5,248	30,170	10,201	66.2	5.7	1.9

	For the six months ended 30 June 2021 (Unaudited)					
	Sales	Revenue	Cost	Gross	Unit price	Unit cost
	volume <i>Boxes '000</i>	<i>RMB'000</i>	<i>RMB'000</i>	margin %	<i>RMB</i>	<i>RMB</i>
Golden Throat Lozenges (OTC)	52,320	333,338	79,573	76.1	6.4	1.5
Golden Throat Lozenge Series Products	6,803	35,172	13,929	60.4	5.2	2.0

Cost of Sales

The Group's cost of sales consists primarily of cost of materials, labor costs, depreciation and other costs relating to its production of Golden Throat Lozenges (OTC), Golden Throat Lozenge Series Products and other products.

The Group's cost of sales decreased from approximately RMB97.7 million for the six months ended 30 June 2021 to approximately RMB85.0 million for the six months ended 30 June 2022. The decrease in cost of sales of the Group for the six months ended 30 June 2022 was primarily because of the decrease in the sales 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 2022 (Unaudited)		For the six months ended 30 June 2021 (Unaudited)	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Materials	52,958	62.3%	68,199	69.8%
Labor costs	17,867	21.0%	20,496	21.0%
Depreciation	7,967	9.4%	5,238	5.4%
Other costs	6,253	7.3%	3,751	3.8%
Total	<u>85,045</u>	<u>100.0%</u>	<u>97,684</u>	<u>100%</u>

Gross Profit

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

For the six months ended 30 June 2022, the Group's gross profit decreased to approximately RMB227.1 million, as compared to approximately RMB275.6 million for the six months ended 30 June 2021, representing a decrease of approximately RMB48.5 million or 17.6%. The decrease in the Group's gross profit was mainly due to the decrease in the Group's sales. The Group's gross profit margin decreased to 72.8% for the six months ended 30 June 2022 from 73.8% for the corresponding period of 2021.

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 2022, the Group's other income and gains decreased to approximately RMB10.9 million, as compared to approximately RMB20.1 million for the six months ended 30 June 2021, representing a decrease of approximately RMB9.2 million, mainly due to exchange losses incurred by the Group in the current period, while exchange gains were incurred in the corresponding period of 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of (i) advertising expenses; (ii) marketing expenses; (iii) employee benefit expenses; and (iv) other miscellaneous expenses. For the six months ended 30 June 2022, the Group's selling and distribution expenses amounted to approximately RMB119.3 million, as compared to approximately RMB147.9 million for the six months ended 30 June 2021, representing a decrease of approximately RMB28.6 million or 19.3%, the decrease was primarily due to COVID-19 pandemic resulting in the decrease in marketing expenses.

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; (v) amortisation of right-of-use assets; (vi) professional services fees, and (vii) other miscellaneous expenses. For the six months ended 30 June 2022, the Group's administrative expenses amounted to approximately RMB36.8 million, as compared to approximately RMB46.7 million for the six months ended 30 June 2021, representing a decrease of approximately RMB9.9 million or 21.2%, the decrease was primarily due to the decrease in depreciation.

Other Expenses

Other expenses of the Group mainly include (i) exchange losses and (ii) donation expenses. For the six months ended 30 June 2022, the Group's other expenses amounted to approximately RMB1.7 million, as compared to approximately RMB0.6 million for the six months ended 30 June 2021, representing an increase of approximately RMB1.1 million. The change was not material as compared to the corresponding period of previous year.

Finance Costs

For the six months ended 30 June 2022, the Group's finance costs amounted to approximately RMB4.6 million, as compared to approximately RMB2.9 million for the six months ended 30 June 2021, representing an increase of approximately RMB1.7 million or 58.6%, the increase was mainly due to the increase in interest-bearing bank borrowings.

Income Tax Expense

For the six months ended 30 June 2022, the Group's income tax expense amounted to approximately RMB18.9 million, as compared to approximately RMB16.1 million for the six months ended 30 June 2021, representing an increase of approximately RMB2.8 million or 17.4%. The effective tax rate for the six months ended 30 June 2022 and the corresponding period of 2021 was 25.0% and 16.5%, respectively.

Net Profit

The Group's net profit for the six months ended 30 June 2022 was approximately RMB56.7 million, as compared to approximately RMB81.5 million for the six months ended 30 June 2021, representing a decrease of approximately RMB24.8 million or 30.4%. The decrease in the Group's net profit was mainly due to the decrease in the Group's sales. For the reasons of decrease in the Group's sales, please refer to the section headed "Revenue" above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As at 30 June 2022, the Group had net current assets of approximately RMB809.8 million, as compared to approximately RMB855.7 million as at 31 December 2021. The current ratio of the Group was approximately 2.6 and 2.5 as at 30 June 2022 and 31 December 2021, respectively.

Borrowings and the Pledge of Assets

As at 30 June 2022, the Group had an aggregate interest-bearing bank borrowings and other borrowings of approximately RMB305.8 million, as compared to approximately RMB235.0 million as at 31 December 2021. All the bank borrowings are repayable within one year. As compared with 31 December 2021, the increase in bank borrowings and other borrowings was for the purpose of replenishing the working capital required for the Group.

As of 30 June 2022, all bank loans bear interest at a fixed interest rate. For details of such borrowings please refer to note 13 of the Group's interim condensed consolidated financial statements above.

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 2022, certain of the Group's bank loans were secured by:

- (i) the pledge of the Group's bills receivables amounting to RMB20,579,000 (31 December 2021: RMB17,529,000);
- (ii) the pledge of certain of the Group's deposits amounting to RMB64,863,000 (31 December 2021: RMB55,072,000);
- (iii) mortgages over the Group's leasehold land, which had a net carrying value of approximately RMB13,366,000 (31 December 2021: Nil); and
- (iv) mortgages over the Group's buildings, which had a net carrying value of approximately RMB3,273,000 (31 December 2021: Nil).

A director of the Group, Ms. Jiang Peizhen, has guaranteed certain of the Group's bank loans amounting to RMB50,000,000 (31 December 2021: RMB50,000,000) as at 30 June 2022.

Gearing Ratio

As of 30 June 2022, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to approximately 23.3% from approximately 17.2% as of 31 December 2021.

Contingent Liabilities

As of 30 June 2022, the Group did not have any significant contingent liabilities.

Foreign Exchange Risk

The Group's transactions are mainly denominated and settled in RMB. The Group had certain amounts of deposits in HKD and USD, amounting to approximately HK\$3.1 million and US\$11.4 million as of 30 June 2022, 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 2022, the Group did not use any financial instruments to hedge its foreign exchange risk.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2022, the Group employed a total of 937 full-time employees, as compared to a total of 952 full-time employees as of 30 June 2021. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB36.1 million for the six months ended 30 June 2022 as compared to approximately RMB35.3 million for the corresponding period in 2021. 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 staff with outstanding performances to attract and retain capable employees of the Group. Moreover, the Company also adopted a share option scheme on 8 June 2017, the purpose of which 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. With respect to training, 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 training 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 2022, the Group did not hold any significant investments or make any material acquisitions or disposals of subsidiaries, associates or joint ventures.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

As of the six months ended 30 June 2022, the Group did not hold any significant investments or make any material acquisitions or disposals of subsidiaries, associates or joint ventures.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group does not have any significant events after the Reporting Period.

PROSPECTS

As a national brand, Golden Throat has withstood the test of the market and consumers. At present, under the market trend of consumption upgrade, the original intention of the Group to provide health services to consumers will not change. Currently, the Company is striving to build a new base as the Golden Throat Health Industrial Park. In the next ten years, the Golden Throat Healthy Development Plan will focus on enhancing the core competitiveness of the Group.

In 2022, 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. Details of the use of the IPO Proceeds are set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

On 30 March 2022, the Board of Directors resolved to change part of the unutilized use of net IPO Proceeds of approximately HK\$190 million (representing approximately 21% of the total IPO Proceeds) originally intended to be used for conversion of headquarters into a food production plant and food research centre to construction of food production plant and food research center. For details of the change in the use of the IPO proceeds, please refer to the Company’s announcement dated 30 March 2022.

From the Listing Date to 30 June 2022, the Group had utilised approximately HK\$643.99 million, representing approximately 70.8% of the IPO Proceeds. Set out below is a summary of the utilised and unutilised IPO Proceeds:

	Amounts Utilised as of 30 June 2022 HK\$'000	Balance Unutilised as of 30 June 2022 HK\$'000
Revised use of IPO Proceeds		
Construction in Luowei Industrial Concentration Area	208,982	–
Construction of food production plant and food research center	–	189,984
Market expansion	286,685	–
Product development	47,380	34,947
Establishment of Chinese herbs processing base	–	37,997
Refinement and upgrade of electronic code system	9,979	2,686
General working capital	90,960	–
	<hr/>	<hr/>
Total	<u>643,986</u>	<u>265,614</u>

As of 30 June 2022, the Group has not used any IPO Proceeds for the establishment of a Chinese herbal medicine processing base at the site in Laibin City, Guangxi Zhuang Autonomous Region. The Group plans to use approximately HK\$37,997,000 (or approximately 4% of the IPO Proceeds) in this project and will commence the aforementioned project in 2023.

The unutilized amount of IPO Proceeds is expected to be fully utilized by 2028.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2022.

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 2022.

Under code provision C.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 that the code provisions of the CG code can be dispensed while applying the principles of good corporate governance, the issuer may choose to deviate from the code provisions (i.e. adopt action(s) or step(s) other than those set out in the code provisions). The Company did not arrange the above-mentioned 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 2022.

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 2022.

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 2022. 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 2022 are unaudited.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2022 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 2022 will be dispatched 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, 24 August 2022

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 and Mr. HE Jinqiang as executive directors, and Mr. LI Hua, Mr. ZHU Jierong and Mr. CHENG Yiqun as independent non-executive directors.