



金嗓子控股集團有限公司

GOLDEN THROAT HOLDINGS GROUP COMPANY LIMITED

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

Stock code: 06896

Interim Report

2023





OTC
金嗓子喉片

Golden
Golden Throat
Lozenge



金嗓子喉宝
(无蔗糖) 都乐含片

肠宝益生元 (新一代)
PREBIOTICS

本品不能代替特殊医学用途配方食品、
婴儿配方食品、保健食品等特殊食品



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COMPANY PROFILE



Golden Throat Holdings Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) is a leading manufacturer of lozenges in China. The Group’s history dates back to 1956 when Liuzhou No. 2 Sweet Factory (柳州市糖果二廠), the predecessor of Guangxi Golden Throat Co., Ltd. (an indirect wholly-owned subsidiary of the Company), was established. Currently, the Group has developed into a modern integrated group mainly engaging in the manufacture and sale of lozenges and other pharmaceutical and food products.

The Company was incorporated in the Cayman Islands on 2 September 2014 as an exempted company with limited liability. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 15 July 2015 (the “Listing Date”).

CORPORATE INFORMATION

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Ms. JIANG Peizhen

EXECUTIVE DIRECTORS

Mr. ZENG Yong
Mr. HUANG Jianping
Mr. ZENG Kexiong
Mr. HE Jinqiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LI Hua
Mr. ZHU Jierong
Mr. CHENG Yiqun

AUDIT COMMITTEE

Mr. ZHU Jierong (*Chairman*)
Mr. LI Hua
Mr. CHENG Yiqun

REMUNERATION COMMITTEE

Mr. LI Hua (*Chairman*)
Mr. CHENG Yiqun
Mr. HE Jinqiang

NOMINATION COMMITTEE

Ms. JIANG Peizhen (*Chairman*)
Mr. ZHU Jierong
Mr. CHENG Yiqun

COMPANY SECRETARY

Ms. LEE Angel Pui Shan

AUTHORISED REPRESENTATIVES

Mr. HE Jinqiang
Ms. LEE Angel Pui Shan

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Guangxi Zhuang Autonomous Region
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY'S WEBSITE

www.goldenthroat.com

STOCK CODE

06896

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL BANK

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services
Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISER

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

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2023:

- The Group's revenue increased by approximately RMB167.5 million or 53.7% to approximately RMB479.6 million, as compared to the six months ended 30 June 2022.
- The Group's gross profit increased by approximately RMB135.0 million or 59.5% to approximately RMB362.1 million, as compared to the six months ended 30 June 2022.
- The Group's earnings before interest, taxes, depreciation and amortisation increased by approximately RMB82.1 million or 82.8% to approximately RMB181.2 million, as compared to the six months ended 30 June 2022.
- Profit attributable to equity holders of the Company increased by approximately RMB65.4 million or 115.3% to approximately RMB122.1 million, as compared to the six months ended 30 June 2022.

DEFINITIONS

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

“ASEAN”	Association of Southeast Asian Nations
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Golden Throat Holdings Group Company Limited (金嗓子控股集團有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 2 September 2014
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. ZENG Yong, the Family Trust, Jin Jiang Global and Golden Throat International
“Director(s)”	director(s) of the Company
“Family Trust”	an irrevocable discretionary trust settled by Mr. ZENG Yong as the settlor pursuant to a trust arrangement dated 25 February 2015 in respect of the shares in Jin Jiang Global
“Golden Throat International”	Golden Throat International Holdings Limited, a company incorporated in the British Virgin Islands and beneficially and wholly owned by Jin Jiang Global, and one of the Controlling Shareholders
“Golden Throat Lozenges (OTC)”	Golden Throat Lozenges (金嗓子喉片), one of the Group’s key products and approved as a type of over-the-counter medicine.
“Golden Throat Lozenge Series Products”	Golden Throat Lozenge Series Products (金嗓子喉寶系列產品), one of the Group’s key products and approved as food products.
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS (CONTINUED)

“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
“Jin Chen Global”	Jin Chen Global Investment Company Limited, a company incorporated in the British Virgin Islands on 2 September 2014 and its issued shares are held by Jin Chen Employee Holdings Limited as trustee for the benefit of certain employees or former employees of Golden Throat Company and their dependants, and which is not a member of the Group
“Jin Jiang Global”	Jin Jiang Global Investment Company Limited, a company incorporated in the British Virgin Islands and its issued shares are held by Sovereign Trust International Limited as trustee for the benefit of Mr. ZENG Yong and his children and descendants, and one of the Controlling Shareholders
“Jin Qing Global”	Jin Qing Global Investment Company Limited, a company incorporated in the British Virgin Islands on 23 September 2014 and its issued shares are held by Jin Chen Employee Holdings Limited as trustee for the benefit of certain senior management of Golden Throat Company and their dependants, and which is not a member of the Group
“Listing” or “IPO”	the listing of the Shares on the Main Board of the Stock Exchange
“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 (中國國家食品藥品監督管理總局)
“OTC”	pharmaceutical product(s) 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

DEFINITIONS (CONTINUED)

“PRC” or “China”	the People’s Republic of China, for the purpose of this report only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 30 June 2015 in respect of the global offering of the Shares
“Reporting Period”	the six months ended 30 June 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	holder(s) of any Share(s)
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of US\$0.000025 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America, its territories, its possessions and all its jurisdiction
“US\$” or “USD”	United States dollars, the lawful currency of the United States

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis was prepared on 25 August 2023 (the date of this interim report). It shall be read in conjunction with the unaudited interim condensed consolidated financial statements and notes of the Group for the six months ended 30 June 2023.

Unless otherwise stated, all data in the Management Discussion and Analysis section of this report are rounded to one decimal place.

BUSINESS REVIEW

The Group is a leading manufacturer of lozenges in China. In July 2022, the Company was listed as one of the Award-Winning Enterprises in the 2021 China Pharmaceutical Industry Top 100 Series List. In October 2022, in the 2022 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. In January 2023, the Company was awarded the title of Guangxi's Leading Industrial Enterprise.

The COVID-19 pandemic in 2020 has hit all industries around the world, with the pharmaceutical industry being one of the most profoundly affected. As 2023 approaches, China's pharmaceutical industry has been gradually recovering from the pandemic, and has undergone a number of changes and adjustments in the process.

In 2022, the Beijing Municipal Health Commission organized pharmaceutical, clinical and traditional Chinese medicine experts to formulate the Catalogue of Medicines for People Infected with COVID-19 (First Edition) (《新冠病毒感染者用藥目錄(第一版)》) with reference to the actual practice of medication treatment, in which our Golden Throat Lozenge (OTC) was specifically recommended for pharyngeal symptoms such as sore throat and dry throat. After the pandemic in 2023, market demand continued its growth trend, and the Group's sales in the first half of 2023 increased to a certain extent as compared with the same period in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Key Products

The Group reports its revenue by three product categories, which include Golden Throat Lozenges (OTC), Golden Throat Lozenges 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 2023, Golden Throat Lozenges (OTC) were exported to the United States, Canada, the European Union, Australia, Southeast Asia, Middle East, Mexico, Mongolia and Africa, across five continents of the world.

For the six months ended 30 June 2023, the Group's sales of Golden Throat Lozenges (OTC) accounted for approximately 89.2% of its total revenue.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2023, Golden Throat Lozenge Series Products were exported to 22 countries and regions, with Luxembourg, Croatia and Estonia added to the list in early 2023.

For the six months ended 30 June 2023, the Group's revenue from the sales of Golden Throat Lozenge Series Products accounted for approximately 10.3% of its total revenue.

Other Products

Sales of the Group's other products accounted for approximately 0.5% of the Group's revenue for the six months ended 30 June 2023. Two of the Group's other products are Yinxingye Tablet (銀杏葉片) and Golden Throat Prebiotics (金嗓子腸寶). 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.

Another new product of the Group is Golden Throat Compound Probiotic Lozenges. 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 in June 2022. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 8 pharmaceutical products (including Jinyin Sanqi Capsule (金銀三七膠囊)), 21 food products, 1 health supplement and 1 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 July 2022, the Company was listed as one of the Award-Winning Enterprises in the 2021 China Pharmaceutical Industry Top 100 Series List. At the end of 2022, the Company was awarded the title of the Most Popular Brand by the Audience of Guangxi Brand High-quality Development Forum and the title of Top Ten Taxpayers of Private Enterprises in Liuzhou. In January 2023, the Company was awarded the title of Guangxi's Leading Industrial Enterprise. In April 2023, in the 2022 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.

Golden Throat Lozenges (OTC) were exported to the United States, Canada, the European Union, Australia, Southeast Asia, Middle East, Mexico, Mongolia and Africa and Golden Throat Lozenge Series Products have been exported to 22 countries and regions as of 30 June 2023, with Luxembourg, Croatia and Estonia added to the list in early 2023.

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 2023, substantially all of the Group's revenue was generated from sales to distributors.

As of 30 June 2023, the Group's distribution network covers all provinces, autonomous regions and municipalities in the PRC. In 2023, the Group will continue to expand into new markets as it further strengthens its partnerships with its top distributors and pharmacy chains. In addition, the Group has further streamlined the procurement process for distributors by supplying primary pharmacies and clinics through an online drug procurement platform.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group also has a presence in various overseas markets for its products, including the United States, Canada, Japan, the European Union, Australia, Southeast Asia, Middle East, Mexico and Africa, with exports covering a total of 53 countries and regions across five continents of the world. The Group's Golden Throat Lozenges (OTC) was granted the MAL Pharmaceutical Registration Qualification by the Ministry of Health of Malaysia after a long-term rigorous examination and testing. In the second quarter of 2023, the first batch of Golden Throat Lozenges (OTC) will soon be available in mainstream hospitals and clinics at all levels in Malaysia. The distribution network of the Group's Golden Throat Lozenge Series Products was further expanded to Luxembourg, Croatia and Estonia in 2023.

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

In October 2018, the Group established Golden Throat Lozenge Series Products flagship store on online platform Taobao Tmall, with the addition of online exclusive Golden Throat Lozenge Series Products, which include six products comprising of Golden Throat Lozenge Dule Lozenges and five other flavours (including mint, chrysanthemum, red tangerine (桔紅), fructus momordicae and American ginseng) and various fruit candies. Nowadays, the dual development of retail pharmacies and online sales has contributed to an efficient and comprehensive distribution system.

Promoters

As of 30 June 2023, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 addition, broadcasters in live broadcasting industry, singers, actors and teachers generally use their voices for a long time, with loud volume and frequent throat discomfort symptoms. Such consumers will also pay special attention to throat products. In view of the air pollution and excessive use of voice 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.

In the middle of 2022, Golden Throat Compound Probiotic Lozenges jointly developed by the Group and the scientific research team of “Food Microbial Function Development” of Beijing Agricultural College was launched to market. The new product is an active probiotic that has obtained six patents by using strains with independent intellectual property rights. It adopts the leading international technologies such as three-layer embedding technology and 360-degree thermal radiation freeze-drying technology to ensure the active quality of probiotics.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

In the post-COVID-19 era, the Group believes that two major health issues, namely immunity and gastrointestinal health, are receiving more attention from all age groups, which give rise to the health awareness in the probiotic and further enhanced the market's reception of probiotic products. At present, the probiotic industry has high technical barriers and domestic raw materials are mainly dominated by imported brands. The Group believes that it is only possible to create a competitive brand in the market by possessing core technologies and the Group will continue to conduct research and development of its products in future.

In 2022, the Beijing Municipal Health Commission organized pharmaceutical, clinical and traditional Chinese medicine experts to formulate the Catalogue of Medicines for People Infected with COVID-19 (First Edition) (《新冠病毒感染者用藥目錄(第一版)》) with reference to the actual practice of medication treatment, in which our Golden Throat Lozenge (OTC) were specifically recommended for pharyngeal symptoms such as sore throat and dry throat. After the pandemic in 2023, market demand continued its growth trend, and the Group's sales in the first half of 2023 increased to a certain extent as compared with the same period in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

Over the past three years, there has been a profound impact on economic development, industry patterns and lifestyles due to the impact of the COVID-19 pandemic. Despite the short-term turbulence, people have become more concerned about their physical and mental health, and the opportunities in the industry have increased, and the market is still full of momentum and hope. In view of this, the Group continued to strengthen its "single brand, multi-category, multichannel" development strategy, focusing on product, channel and retail operation capabilities and supply chain management, continuing to attract consumers' attention through creative features, exclusive product sales and innovative diversified channel development to enrich the brand image and influence. Under the market trend of consumption upgrading, the Group will continue to innovate in promoting the development of new products such as genetic medicines, traditional Chinese medicine prescriptions and specialty health foods, and is committed to promoting the development of China's mass health industry.

Nowadays, people mainly rely on online purchasing while E-commerce and new retails continue to develop. The Group's Golden Throat WeChat Mini Program Mall was launched in early 2020. We will continue to expand online sales channels in 2023, and we believe there would be breakthroughs in our online business in the future.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2023, plants and office buildings of a new medicine production and research and development base of the Group located at Luwei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region and the commissioning of product line and trial production were completed, and the Group completed the overall relocation. 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 land of 48 mu (畝) located in the south of our new medicine production and research and development base as the new site for the second phase of our production base of Golden Throat, with the expected usable area of about 50,000 square meters when the construction is completed. A food production plant and a food product research centre will be built in accordance with our plan. Upon completion, a high-tech development and research team as well as smart production and smart sales will be deployed to develop more great health products. As of 30 June 2023, the design of the second phase construction project at the new production base of Golden Throat has been completed, and it is expected to enter the construction phase by the end of the third quarter of 2023.

The Golden Throat's second phase construction will help to establish the core leading position of the technical platform of Golden Throat Doctoral Workstation, Golden Throat Professorial Workstation, Golden Throat Research Institute, Golden Throat Gastrointestinal Research Institute and Golden Throat Heart and Brain Research Institute; develop new products such as genetic drugs, traditional Chinese medicine formulas, special medical devices and special health food; and promote the implementation of the second phase of the Golden Throat base to create a continuous innovation to drive the development of the Golden Throat great health industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group's revenue increased by approximately RMB167.5 million or 53.7% to approximately RMB479.6 million, as compared to approximately RMB312.1 million for the six months ended 30 June 2022. The increase in the Group's revenue was mainly due to the significant increase in the Group's sales of Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products in the first half of 2023.

For the six months ended 30 June 2023, the Group's revenue generated from sales of Golden Throat Lozenges (OTC) was approximately RMB428.1 million, representing an increase of approximately RMB149.0 million or 53.4% as compared to approximately RMB279.1 million for the six months ended 30 June 2022.

For the six months ended 30 June 2023, the Group's revenue from the sales of the Golden Throat Lozenge Series Products amounted to approximately RMB49.2 million as compared to approximately RMB30.2 million for the six months ended 30 June 2022, representing an increase of approximately RMB19.0 million or 62.9%.

For the six months ended 30 June 2023, the Group's revenue from sales of other products amounted to approximately RMB2.3 million as compared to approximately RMB2.8 million for the six months ended 30 June 2022, representing a decrease of approximately RMB0.5 million or 17.9%.

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 2023 (Unaudited)					
	Sales volume Boxes '000	Revenue RMB'000	Cost RMB'000	Gross margin %	Unit price RMB	Unit cost RMB
Golden Throat Lozenges (OTC)	56,458	428,063	97,414	77.2	7.6	1.7
Golden Throat Lozenge Series Products	8,216	49,244	17,651	64.2	6.0	2.1

	For the six months ended 30 June 2022 (Unaudited)					
	Sales volume Boxes '000	Revenue RMB'000	Cost RMB'000	Gross margin %	Unit price RMB	Unit cost RMB
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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 increased from approximately RMB119.3 million for the six months ended 30 June 2022 to approximately RMB158.7 million for the six months ended 30 June 2023. The increase in cost of sales of the Group for the six months ended 30 June 2023 was primarily because of the increase in the sales of Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products.

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 2023 (Unaudited)		For the six months ended 30 June 2022 (Unaudited)	
	RMB'000	% of total	RMB'000	% of total
Materials	80,376	68.4%	52,958	62.3%
Labor costs	19,878	16.9%	17,867	21.0%
Depreciation	10,349	8.8%	7,967	9.4%
Other costs	6,925	5.9%	6,253	7.3%
Total	117,528	100.0%	85,045	100.0%

Gross Profit

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

For the six months ended 30 June 2023, the Group's gross profit increased to approximately RMB362.1 million, representing an increase of approximately RMB135.0 million or 59.5% as compared to approximately RMB227.1 million for the six months ended 30 June 2022. The increase in the Group's gross profit was mainly due to the increase in sales volume of the Group's products. The Group's gross margin increased to 75.5% for the six months ended 30 June 2023 from 72.8% for the corresponding period of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2023, the Group's other income and gains increased to approximately RMB16.2 million, representing an increase of approximately RMB5.3 million as compared to approximately RMB10.9 million for the six months ended 30 June 2022, mainly due to the increase in interest income of the Group.

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 2023, the Group's selling and distribution expenses amounted to approximately RMB158.7 million, representing an increase of approximately RMB39.4 million or 33.0% as compared to approximately RMB119.3 million for the six months ended 30 June 2022. The increase was primarily due to the increase in promotion and advertising expenses of the Group for sales promotion.

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 2023, the Group's administrative expenses amounted to approximately RMB49.5 million, representing an increase of approximately RMB12.7 million or 34.5% as compared to approximately RMB36.8 million for the six months ended 30 June 2022. The increase was primarily due to the increase in research and development expenses as compared to the same period last year.

Other Expenses

Other expenses of the Group mainly include (i) exchange losses and (ii) donation expenses. For the six months ended 30 June 2023, the Group's other expenses amounted to approximately RMB8.2 million, representing an increase of approximately RMB6.5 million as compared to approximately RMB1.7 million for the six months ended 30 June 2022. The increase was mainly due to the increase in foreign exchange losses as compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance Costs

For the six months ended 30 June 2023, the Group's finance costs amounted to approximately RMB6.6 million, representing an increase of approximately RMB2.0 million or 43.5% as compared to approximately RMB4.6 million for the six months ended 30 June 2022. The increase was mainly due to the increase in interest on borrowings and interest on discounted bills as compared to the same period last year.

Income Tax Expense

For the six months ended 30 June 2023, the Group's income tax expense amounted to approximately RMB33.0 million, representing an increase of approximately RMB14.1 million or 74.6% as compared to approximately RMB18.9 million for the six months ended 30 June 2022. The effective tax rate for the six months ended 30 June 2023 and the corresponding period of 2022 was 21.3% and 25.0%, respectively.

Net Profit

The Group's net profit for the six months ended 30 June 2023 was approximately RMB122.1 million, representing an increase of approximately RMB65.4 million or 115.3% as compared to approximately RMB56.7 million for the six months ended 30 June 2022. The increase in the Group's net profit was mainly due to the increase in sales volume of the Group's products. For the reasons of increase in sales volume of the Group's products, please refer to the section headed "Revenue" above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As at 30 June 2023, the Group had net current assets of approximately RMB938.9 million, as compared to approximately RMB1,060.1 million as at 31 December 2022. The current ratio of the Group was 2.8 and 2.4 as at 30 June 2023 and 31 December 2022, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Borrowings and the Pledge of Assets

As at 30 June 2023, the Group had an aggregate interest-bearing bank borrowings and other borrowings of approximately RMB261.0 million, as compared to approximately RMB272.6 million as at 31 December 2022. All the bank borrowings are repayable within one year. As compared with 31 December 2022, bank borrowings and other borrowings decreased by approximately RMB11.6 million or 4.3%.

As of 30 June 2023, 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.

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 2023, certain of the Group's bank loans were secured by:

- (i) the pledge of the Group's bills receivable amounting to RMB10,170,000 (31 December 2022: RMB20,384,000) (please refer to note 11 of the Group's interim condensed consolidated financial statements); and
- (ii) the pledge of certain of the Group's deposits amounting to RMB131,285,000 (31 December 2022: RMB121,081,000).

Gearing Ratio

As at 30 June 2023, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to approximately 18.3% from approximately 17.7% as at 31 December 2022.

Contingent Liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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\$5.2 million and US\$11.1 million as of 30 June 2023, 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. The management of the Group will monitor the foreign exchange risk on an ongoing basis, and the Board expects that fluctuations in HKD and USD will not have a significant impact on the business and financial performance of Group.

For the six months ended 30 June 2023, the Group did not use any financial instruments to hedge its foreign exchange risk.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2023, the Group employed a total of 860 full-time employees, as compared to a total of 937 full-time employees as of 30 June 2022. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB35.9 million for the six months ended 30 June 2023 as compared to approximately RMB36.1 million for the corresponding period in 2022. 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. 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.

The Group adheres to the concept of "benefiting mankind and repaying society", and currently employs more than 100 disabled employees. In August 2020, the Group provided employees with Baojun new energy electric vehicles produced by Liuzhou SGMW (柳州上汽通用五菱) for employees commuting to work. The Group ordered over 700 new energy electric vehicles from SGMW, which would not only solve the transportation problem of employees with long commuting distance, but also effectively stimulate domestic demand and help economic growth and recovery.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

With respect to trainings, the Company proactively arranges its employees to study the newly promulgated laws and regulations in the PRC so as to ensure that products produced by the Group are in compliance with the laws and regulations. The Group also organises various training programmes covering the knowledge of Chinese medicinal herbs and Chinese medicine decoction pieces as well as the trainings in relation to production quality standard of pharmaceutical products, equipment maintenance and repair and so forth, which target the employees from different business departments and functions. 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 2023, the Group did not hold any significant investments or make any material acquisitions or disposals of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2023, the Group did not have any future plans for material investment or capital assets.

SIGNIFICANT SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, the Group does not have any significant subsequent 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2023, 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, will be utilized in the manner set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the announcement of the Company dated 30 March 2022 in relation to change of the use of IPO Proceeds.

From the Listing Date to 30 June 2023, the Group had utilised approximately HK\$682.32 million, representing approximately 75.01% of the IPO Proceeds. Set out below is a summary of the utilised and unutilised IPO Proceeds:

Revised use of IPO Proceeds	Revised allocation of IPO Proceeds HK\$'000	Balance unutilised as at 1 January 2023 HK\$'000	Amounts utilised	
			during the six months ended 30 June 2023 HK\$'000	Balance unutilised as at 30 June 2023 HK\$'000
Construction in Luowei Industrial Concentration Area	208,982	-	-	-
Construction of food production plant and food research center	189,984	187,689	299	187,390
Market expansion	286,685	-	-	-
Product development	82,326	30,730	30,730	-
Establishment of Chinese herbs processing base	37,997	37,997	-	37,997
Refinement and upgrade of electronic code system	12,666	2,229	339	1,890
General working capital	90,960	-	-	-
Total	909,600	258,645	31,368	227,277

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As of 30 June 2023, 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 the second half of 2023.

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

INTERIM DIVIDEND

The Board did not recommend the declaration of any interim dividend for the six months ended 30 June 2023.

CORPORATE GOVERNANCE/OTHER INFORMATION

COMPLIANCE WITH CG 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 2023.

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 2023.

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 2023.

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 2023. 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 2023 are unaudited.

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Directors	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares
Mr. ZENG Yong ⁽⁴⁾	Founder of a discretionary trust Beneficial owner	511,963,200	
		4,050,500	
		516,013,700	69.79%
Ms. JIANG Peizhen ⁽⁵⁾	Interest through controlled corporation ⁽⁴⁾	58,937,400	7.97%
Mr. HUANG Jianping ⁽⁶⁾	Beneficiary of a trust	17,100,000	2.31%
Mr. ZENG Kexiong ⁽⁷⁾	Beneficiary of a trust	17,100,000	2.31%
Mr. HE Jinjiang ⁽⁸⁾	Beneficiary of a trust	17,100,000	2.31%

Notes:

- (1) Unless the context otherwise requires, terms used in these notes have the meanings prescribed to them in the Prospectus.
- (2) The calculation is based on the total number of 739,302,000 Shares in issue as at 30 June 2023.
- (3) The Senior Management Trust and the Employees Trust were combined on 10 July 2017, and the Employees Trust has been replaced.
- (4) The Family Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of Mr. ZENG Yong and his children and descendants with Sovereign Trust International Limited acting as the trustee, holds the entire issued share capital of Golden Throat International through Jin Jiang Global. As a result, Mr. ZENG Yong is deemed to be interested in 453,025,800 Shares held by Golden Throat International (which is 100% owned by Jin Jiang Global). Mr. ZENG is also the settlor of the Senior Management Trust which holds the 7.97% (or 58,937,400 Shares) of the issued share capital of the Company immediately after the completion of the global offering and the partial exercise of the over-allotment option. Furthermore, for so long as Jin Chen Employee Holdings Limited holds or controls shares in the Company, all voting rights attaching to such shares shall be exercised by an investment review panel consisting of Ms. JIANG Peizhen and/or such other person(s) as they may wish to appoint. Mr. ZENG Yong also holds 4,050,500 Shares, as a result, Mr. ZENG is deemed to be interested in 516,013,700 Shares in aggregate.

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

- (5) Ms. JIANG Peizhen is the protector of the Senior Management Trust. For so long as Jin Chen Employee Holdings Limited holds or controls shares in the Company, all voting rights attaching to such shares shall be exercised by an investment review panel consisting of Ms. JIANG Peizhen and/or such other person(s) as they may wish to appoint. As a result, Ms. JIANG Peizhen is deemed to be interested in 58,937,400 Shares of the Company.
- (6) The Senior Management Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of certain senior management employed or formerly employed by Guangxi Golden Throat and their dependents including Mr. HUANG Jianping, with Jin Chen Employee Holdings Limited as the trustee, holds the entire issued share capital of Jin Qing Global. Accordingly, Mr. HUANG Jianping is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.
- (7) The Senior Management Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of certain senior management employed or formerly employed by Guangxi Golden Throat and their dependents including Mr. ZENG Kexiong, with Jin Chen Employee Holdings Limited as the trustee, holds the entire issued share capital of Jin Qing Global. Accordingly, Mr. ZENG Kexiong is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.
- (8) The Senior Management Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of certain senior management employed or formerly employed by Guangxi Golden Throat and their dependents including Mr. HE Jinqiang, with Jin Chen Employee Holdings Limited as the trustee, holds the entire issued share capital of Jin Qing Global. Accordingly, Mr. HE Jinqiang is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.

Save as disclosed above, as at 30 June 2023, so far as is known to the Directors of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted by the Company to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the six months ended 30 June 2023.

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

SHARE OPTION SCHEME

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

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and up to the date of this interim report, and there were no outstanding share options as at 1 January 2023 and 30 June 2023, respectively.

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

As at 30 June 2023, to the knowledge of the Directors, the interests and short positions of the following persons (excluding the Directors or chief executives of the Company, whose interests are disclosed on pages 27 to 28 above) in the Shares or underlying Shares of the Company, which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares
Family Trust ⁽⁴⁾	Interest through controlled corporation	453,025,800	61.28%
Sovereign Trust International Limited ⁽⁴⁾	Trustee of a discretionary trust	453,025,800	61.28%
Jin Jiang Global ⁽⁴⁾	Interest through controlled corporation	453,025,800	61.28%
Golden Throat International	Beneficial owner	453,025,800	61.28%
Senior Management Trust ⁽⁵⁾	Interest through controlled corporation	58,937,400	7.97%
Jin Chen Employee Holdings Limited ⁽⁶⁾	Trustee of a discretionary trust	58,937,400	7.97%
Jin Chen Global	Beneficial owner	41,837,400	5.66%

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

Notes:

- (1) Terms used in these notes have the meanings prescribed to them in the Prospectus.
- (2) All interests stated are long positions.
- (3) The calculation is based on the total number of 739,302,000 Shares in issue as at 30 June 2023.
- (4) The Family Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of Mr. ZENG Yong and his children and descendants. Sovereign Trust International Limited is the trustee of the Family Trust and holds 100% issued share capital of Jin Jiang Global, which then holds 100% issued share capital of Golden Throat International, thus the Family Trust, Sovereign Trust International Limited and Jin Jiang Global are each deemed to be interested in the 453,025,800 Shares held by Golden Throat International, which represents 61.28% of the issued share capital of the Company.
- (5) The Senior Management Trust and the Employees Trust were combined on 10 July 2017, and the Employees Trust has been replaced.
- (6) Jin Chen Employee Holdings Limited, the trustee of the Senior Management Trust, holds 100% of issued share capital of Jin Chen Global, which holds 41,837,400 Shares of the Company, and Jin Qing Global, which holds 17,100,000 Shares of the Company, and thus holds, in aggregate, 58,937,400 Shares of the Company. As a result, Jin Chen Employee Holdings Limited is deemed to be interested in 7.97% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2023, the Directors are not aware of any other person (excluding the Directors or chief executives of the Company, whose interests are disclosed on pages 25 to 26 above) who has interests or short positions in the Shares or underlying Shares of the Company, which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

There has been no change in the information of Directors and chief executives required to be disclosed pursuant to Rule 13.51(2) and 13.51B of the Listing Rules since the publication of the 2022 Annual Report of the Company.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	5	479,647	312,112
Cost of sales		(117,528)	(85,045)
Gross profit		362,119	227,067
Other income and gains		16,153	10,939
Selling and distribution expenses		(158,724)	(119,258)
Administrative expenses		(49,520)	(36,819)
Other expenses		(8,208)	(1,740)
Finance costs		(6,643)	(4,550)
PROFIT BEFORE TAX	6	155,177	75,639
Income tax expense	7	(33,033)	(18,907)
PROFIT FOR THE PERIOD		122,144	56,732
Attributable to:			
Owners of the parent		122,144	56,732
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		RMB16.62 cents	RMB7.67 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	122,144	56,732
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	10,811	2,036
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	10,811	2,036
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	10,811	2,036
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	132,955	58,768
Attributable to:		
Owners of the parent	132,955	58,768

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	409,656	425,986
Advance payments for property plant and equipment		6,336	359
Right-of-use assets		48,555	50,167
Deferred tax assets		26,077	28,123
Total non-current assets		490,624	504,635
CURRENT ASSETS			
Inventories		85,237	46,298
Trade and bills receivables	11	216,235	618,698
Prepayments, other receivables and other assets		114,168	82,553
Due from related parties	15(c)(i)	2,671	510
Financial assets at fair value through profit or loss		20,000	30,000
Pledged deposits		131,285	121,081
Cash and cash equivalents		895,958	895,515
Total current assets		1,465,554	1,794,655
CURRENT LIABILITIES			
Trade payables	12	28,205	25,313
Other payables and accruals		207,436	363,033
Interest-bearing bank and other borrowings	13	261,031	272,586
Due to a director	15(c)(ii)	2,533	236
Due to related parties	15(c)(iii)	870	867
Tax payable		26,351	72,299
Government grants		183	266
Total current liabilities		526,609	734,600
NET CURRENT ASSETS		938,945	1,060,055
TOTAL ASSETS LESS CURRENT LIABILITIES		1,429,569	1,564,690

Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2023

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	1,429,569	1,564,690
NON-CURRENT LIABILITIES		
Other payables and accruals	671	734
Government grants	25	75
Deferred tax liabilities	–	24,770
Total non-current liabilities	696	25,579
Net assets	1,428,873	1,539,111
EQUITY		
Equity attributable to owners of the parent		
Share capital	113	113
Share premium	675,410	675,410
Reserves	753,350	863,588
Total equity	1,428,873	1,539,111

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Notes	Attributable to owners of the parent							Total equity RMB'000
		Share capital RMB'000	Share premium account RMB'000	Capital reserves* RMB'000	Statutory and other surplus reserves* RMB'000	Other reserves* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	
At 1 January 2023 (audited)		113	675,410	8,952	261,246	(24)	60,095	533,319	1,539,111
Profit for the period		-	-	-	-	-	-	122,144	122,144
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations		-	-	-	-	-	10,811	-	10,811
Total comprehensive income for the period		-	-	-	-	-	10,811	122,144	132,955
Final 2022 dividend declared	8	-	-	-	-	-	-	(243,193)	(243,193)
At 30 June 2023 (unaudited)		113	675,410	8,952	261,246	(24)	70,906	412,270	1,428,873

* These reserve accounts comprise the consolidated reserves of RMB753,350,000 in the interim condensed consolidated statement of financial position as at 30 June 2023.

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022

	Notes	Attributable to owners of the parent							Total equity RMB'000
		Share capital RMB'000	Share premium account RMB'000	Capital reserves RMB'000	Statutory and other surplus reserves RMB'000	Other reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	
At 1 January 2022 (audited)		113	675,410	8,952	220,916	(24)	52,242	407,534	1,365,143
Profit for the period		-	-	-	-	-	-	56,732	56,732
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations		-	-	-	-	-	2,036	-	2,036
Total comprehensive income for the period		-	-	-	-	-	2,036	56,732	58,768
Final 2021 dividend declared	8	-	-	-	-	-	-	(109,687)	(109,687)
At 30 June 2022 (unaudited)		113	675,410	8,952	220,916	(24)	54,278	354,579	1,314,224

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	155,177	75,639
Adjustments for:		
Depreciation of property, plant and equipment	17,591	16,926
Depreciation of right-of-use assets	1,811	1,942
Recognition of government grants	(133)	(183)
Loss/(gain) on disposal of items of property, plant and equipment	3	(88)
Investment income from financial assets at fair value through profit or loss	(629)	(1,254)
Foreign exchange differences, net	7,823	1,473
Bank interest income	(11,831)	(7,435)
Finance costs	6,643	4,550
Impairment of trade receivables, net	527	310
Impairment of other receivables, net	149	–
	177,131	91,880
Increase in inventories	(38,939)	(43,636)
Decrease in trade and bills receivables	401,936	227,013
(Increase)/decrease in prepayments, other receivables and other assets	(29,484)	10,674
Increase/(decrease) in trade payables	2,892	(1,649)
Increase in amounts due from related parties	(2,161)	(20)
Increase in amounts due to related parties	3	4
Increase in amounts due to a director	8	10
Increase in other payables and accruals	(157,639)	(117,277)
Cash generated from operations	353,747	166,999
Interest received	11,831	7,435
Interest paid	(6,643)	(4,550)
Income tax paid	(101,705)	(44,958)
Net cash flows from operating activities	257,230	124,926

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Net cash flows from operating activities	257,230	124,926
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(7,871)	(9,145)
Purchases of financial assets at fair value through profit or loss	(70,000)	(126,000)
Proceeds from disposal of financial assets at fair value through profit or loss	80,629	167,254
Increase in time deposits with original maturity of over three months	(43,355)	(55,000)
Increase in amounts due to a director	2,289	–
Proceeds from disposal of items of property, plant and equipment	329	212
Net cash flows used in investing activities	(37,979)	(22,679)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	151,031	196,111
Repayment of bank loans	(162,586)	(125,097)
Principal portion of lease payments	–	(199)
Dividends paid to shareholders	(243,193)	(109,687)
Increase in pledged deposits	(10,204)	(9,791)
Net cash flows used in financing activities	(264,952)	(48,663)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(45,701)	53,584
Cash and cash equivalents at beginning of period	885,515	712,839
Effect of foreign exchange rate changes, net	2,789	156
CASH AND CASH EQUIVALENTS AT END OF PERIOD	842,603	766,579
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	895,958	831,579
Time deposits with original maturity of over than three months when acquired	(53,355)	(65,000)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	842,603	766,579

Notes to the Interim Condensed Consolidated Financial Information

1. CORPORATE AND GROUP 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 2023 has been prepared in accordance with Hong Kong Accreditation Service (“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 2022.

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the financial position or performance of the Group as the Group does not apply any initial recognition exception within the scope of the amendments.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

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 resource allocation and performance assessment.

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<i>Revenue from contracts with customers</i>	479,566	312,104
<i>Revenue from other sources</i>		
Gross rental income	81	8
	479,647	312,112

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Cost of inventories sold	117,528	85,045
Depreciation of property, plant and equipment	17,591	16,926
Depreciation of right-of-use assets	1,811	1,942
Investment income from financial assets at fair value through profit or loss	(629)	(1,254)
Bank interest income	(11,831)	(7,435)
Foreign exchange differences, net	7,823	1,473
Loss/(gain) on disposal of items of property, plant and equipment	3	(88)

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% (2022: 15%) for the period. Other three subsidiaries of the Group in Mainland China were entitled to a preferential income tax rate of 20% (2022: 20%) as small and micro enterprises with the first RMB1,000,000 of annual taxable income eligible for a 87.5% (2022: 87.5%) reduction and the income between RMB1,000,000 and RMB3,000,000 eligible for a 50% (2022: 50%) reduction.

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current tax:		
Charge for the period	30,987	23,282
Deferred tax	2,046	(4,375)
Total tax charge for the period	33,033	18,907

Notes to the Interim Condensed Consolidated Financial Information (Continued)

8. DIVIDENDS

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Final dividend and paid – HK\$0.36 (2022: HK\$0.18) per ordinary share	243,193	109,687

The Board did not declare any interim dividend for the six months ended 30 June 2023 (the six months ended 30 June 2022: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 739,302,000 (2022: 739,302,000) in issue during the period.

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	122,144	56,732

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

	Number of shares	
	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	739,302,000	739,302,000

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

10. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Carrying amount at beginning of period/year	425,986	445,996
Additions	1,593	15,125
Depreciation provided during the period/year	(17,591)	(34,700)
Disposals	(332)	(435)
Carrying amount at end of period/year	409,656	425,986

Notes to the Interim Condensed Consolidated Financial Information (Continued)

11. TRADE AND BILLS RECEIVABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade receivables	51,184	26,816
Bills receivable	167,157	593,522
	218,341	620,338
Impairment	(2,106)	(1,640)
	216,235	618,698

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 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Less than 3 months	39,555	23,586
3 to 6 months	6,840	360
6 to 12 months	2,055	400
1 to 2 years	338	233
Over 2 years	290	597
	49,078	25,176

At 30 June 2023, certain of the Group's bills receivable amounting to RMB10,170,000 (31 December 2022: RMB20,384,000) were pledged to secure bank loans granted to the Group (note 13).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

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 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Less than 3 months	21,210	23,544
3 to 6 months	4,559	136
6 to 12 months	815	436
1 to 2 years	463	38
Over 2 years	1,158	1,159
	28,205	25,313

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Maturity	30 June 2023		31 December 2022	
		Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000
Current					
Bank loans – secured	Within 1 year	1.65-4.10	129,900	1.65-4.10	130,000
Bank loans – unsecured	Within 1 year	1.30-3.65	90,000	1.70-3.65	119,800
Discounted bills receivable	Within 1 year	1.80-2.30	41,131	1.80-2.00	22,786
			261,031		272,586
Analysed into:					
Bank loans repayable:					
	Within one year or on demand		261,031		272,586

Note: Certain of the Group's bank loans are secured by:

- (i) the pledge of the Group's bills receivable amounting to RMB10,170,000 (31 December 2022: RMB20,384,000) (note 11); and
- (ii) the pledge of certain of the Group's deposits amounting to RMB131,285,000 (31 December 2022: RMB121,081,000).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

14. COMMITMENTS

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

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Contracted, but not provided for:		
Buildings	22,531	–

15. RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 June	
	Note	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
An entity ultimately controlled by a director Guangxi Changbao Biological Technology Co., Ltd. ("Changbao")			
Purchases of products	(i)	2,227	363

Note:

- (i) The purchase prices were determined by arm's length negotiation between the Group and the related party.

15. RELATED PARTY TRANSACTIONS *(continued)*

(b) Other transactions with related parties:

The Group's subsidiary Guangxi Golden Throat Co., Ltd has guaranteed certain of Changbao's bank loans amounting to RMB10,000,000 (31 December 2022: Nil) as at 30 June 2023.

(c) Outstanding balances with related parties:

(i) The Group had an outstanding balance due from related parties of RMB2,671,000 (31 December 2022: RMB510,000) as at the end of the reporting period. The outstanding balance is unsecured, non-interest-bearing and payable on demand.

(ii) The Group had an outstanding balance due to a director of RMB2,533,000 (31 December 2022: RMB236,000) 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 RMB870,000 (31 December 2022: RMB867,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Short-term employee benefits	5,730	6,033
Pension scheme contributions	312	311
Total compensation paid to key management personnel	6,042	6,344

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, due from/to a director and related parties, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fixed interest rates 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 each reporting date, 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 following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

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

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2023 (unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	-	20,000	-	20,000
Bills receivable	-	167,157	-	167,157
	-	187,157	-	187,157

As at 31 December 2022 (audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	-	30,000	-	30,000
Bills receivable	-	593,522	-	593,522
	-	623,522	-	623,522

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 (31 December 2022: Nil).

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 (six months ended 30 June 2022: Nil).