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GOLDEN THROAT HOLDINGS GROUP COMPANY LIMITED **金嚟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 2020

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2020:

- Revenue decreased by approximately RMB150.7 million or 42.5% to approximately RMB203.9 million, as compared to the six months ended 30 June 2019.
- Gross profit decreased by approximately RMB109.2 million or 41.8% to approximately RMB152.3 million, as compared to the six months ended 30 June 2019.
- Earnings before interest, taxes, depreciation and amortisation decreased by approximately RMB33.0 million or 48.7% to approximately RMB34.8 million, as compared to the six months ended 30 June 2019.
- Profit attributable to equity holders of the Company decreased by approximately RMB29.6 million or 65.2% to approximately RMB15.8 million, as compared to the six months ended 30 June 2019.

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 2020, together with the comparative figures for the corresponding period of 2019, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
	<i>Notes</i>		
REVENUE	5	203,920	354,621
Cost of sales		<u>(51,609)</u>	<u>(93,129)</u>
Gross profit		152,311	261,492
Other income and gains	5	18,580	10,075
Selling and distribution expenses		(106,649)	(173,695)
Administrative expenses		(28,956)	(27,206)
Other expenses		(6,261)	(6,482)
Finance costs		<u>(6,327)</u>	<u>(3,676)</u>
PROFIT BEFORE TAX	6	22,698	60,508
Income tax expense	7	<u>(6,860)</u>	<u>(15,073)</u>
PROFIT FOR THE PERIOD		<u>15,838</u>	<u>45,435</u>
Attributable to:			
Owners of the parent		<u>15,838</u>	<u>45,435</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u>RMB2 cents</u>	<u>RMB6 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>15,838</u>	<u>45,435</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>4,298</u>	<u>2,122</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>4,298</u>	<u>2,122</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>4,298</u>	<u>2,122</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>20,136</u>	<u>47,557</u>
Attributable to:		
Owners of the parent	<u>20,136</u>	<u>47,557</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	436,135	412,292
Advance payments for property plant and equipment		6,483	4,537
Right-of-use assets		51,779	53,426
Prepayments, other receivables and other assets		–	2
Deferred tax assets		16,028	16,893
Total non-current assets		510,425	487,150
CURRENT ASSETS			
Inventories		70,520	36,488
Trade and bills receivables	11	219,711	416,451
Prepayments, other receivables and other assets		42,195	38,841
Due from related parties	15(b)(i)	591	587
Pledged deposits		–	70,103
Cash and cash equivalents		684,587	577,333
Total current assets		1,017,604	1,139,803
CURRENT LIABILITIES			
Trade payables	12	16,623	15,212
Other payables and accruals		185,433	273,006
Interest-bearing bank and other borrowings	13	199,744	96,123
Due to a director	15(b)(ii)	241	237
Tax payable		30,046	77,900
Government grants		366	366
Total current liabilities		432,453	462,844
NET CURRENT ASSETS		585,151	676,959
TOTAL ASSETS LESS CURRENT LIABILITIES		1,095,576	1,164,109

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Other payables and accruals	750	816
Government grants	815	998
Deferred tax liabilities	<u>–</u>	<u>8,166</u>
Total non-current liabilities	<u>1,565</u>	<u>9,980</u>
Net assets	<u>1,094,011</u>	<u>1,154,129</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	113	113
Share premium	675,410	675,410
Reserves	<u>418,488</u>	<u>478,606</u>
Total equity	<u>1,094,011</u>	<u>1,154,129</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Note	Attributable to owners of the parent						
		Share capital	Share premium account	Capital reserves	Statutory and other surplus reserves	Other reserves	Exchange fluctuation reserve	Retained profits
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (audited)		113	675,410	8,952	200,385	(24)	69,292	200,001
Profit for the period		-	-	-	-	-	-	15,838
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations		-	-	-	-	-	4,298	-
Total comprehensive income for the period		-	-	-	-	-	4,298	15,838
Final 2019 dividend declared	8	-	-	-	-	-	-	(80,254)
At 30 June 2020 (unaudited)		<u>113</u>	<u>675,410</u>	<u>8,952</u>	<u>200,385</u>	<u>(24)</u>	<u>73,590</u>	<u>135,585</u>

For the six months ended 30 June 2019

	Note	Attributable to owners of the parent						
		Share capital	Share premium account	Capital reserves	Statutory and other surplus reserves	Other reserves	Exchange fluctuation reserve	Retained profits
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)		113	675,410	8,952	183,494	(24)	61,386	127,881
Profit for the period		-	-	-	-	-	-	45,435
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations		-	-	-	-	-	2,122	-
Total comprehensive income for the period		-	-	-	-	-	2,122	45,435
Final 2018 dividend declared	8	-	-	-	-	-	-	(77,887)
At 30 June 2019 (unaudited)		<u>113</u>	<u>675,410</u>	<u>8,952</u>	<u>183,494</u>	<u>(24)</u>	<u>63,508</u>	<u>95,429</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		22,698	60,508
Adjustments for:			
Depreciation of property, plant and equipment		3,827	3,148
Depreciation of right-of-use assets		1,935	1,832
Recognition of government grants		(183)	(183)
Gain on disposal of items of property, plant and equipment	5	(14)	–
Investment income from financial assets at fair value through profit or loss	5	(2,033)	(1,375)
Foreign exchange differences, net		4,695	1,559
Bank interest income	5	(7,646)	(4,606)
Finance costs		6,327	3,676
Impairment of trade receivables		(182)	(29)
Impairment of other receivables		49	(129)
Write-down of inventories to net realisable value		(143)	676
		29,330	65,077
Increase in inventories		(33,889)	(3,464)
Decrease in trade and bills receivables		196,922	55,788
Increase in prepayments, other receivables and other assets		(1,887)	(18,719)
Increase in amounts due from related parties		–	(86)
Increase in trade payables		1,411	373
Increase in amounts due to related parties		–	666
(Decrease)/increase in other payables and accruals		(80,335)	15,540
Cash generated from operations		111,552	115,175
Interest received		6,132	4,373
Interest paid		(6,327)	(3,663)
Income tax paid		(62,015)	(33,845)
Net cash flows from operating activities		49,342	82,040

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Net cash flows from operating activities	<u>49,342</u>	<u>82,040</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(37,066)	(78,192)
Purchases of financial assets at fair value through profit or loss	(290,000)	(245,000)
Proceeds from disposal of financial assets at fair value through profit or loss	292,033	246,375
Proceeds from disposal of items of property, plant and equipment	<u>160</u>	<u>—</u>
Net cash flows used in investing activities	<u>(34,873)</u>	<u>(76,817)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	199,565	319,266
Repayment of bank loans	(95,753)	(60,000)
Principal portion of lease payments	(191)	(192)
Dividends paid to shareholders	(80,254)	(77,887)
Decrease/(increase) in pledged deposits	<u>70,103</u>	<u>(76,779)</u>
Net cash flows from financing activities	<u>93,470</u>	<u>104,408</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	107,939	109,631
Cash and cash equivalents at beginning of period	577,333	635,278
Effect of foreign exchange rate changes, net	<u>(685)</u>	<u>561</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>684,587</u></u>	<u><u>745,470</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	615,199	682,264
Non-pledged time deposits with original maturity of less than three months when acquired	<u>69,388</u>	<u>63,206</u>
	<u><u>684,587</u></u>	<u><u>745,470</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 is incorporated in British Virgin Islands.

2. BASIS OF PREPARATION

The Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

The unaudited interim condensed consolidated financial information have been prepared under the historical cost convention. These financial information are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, 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	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, no lease payments for the leases of the Group's land, office and warehouse has been reduced or waived by the lessors. The amendments did not have any impact on the financial position and performance of the Group.

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

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, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<i>Revenue from contracts with customers</i>	203,894	354,591
<i>Revenue from other sources</i>		
Gross rental income	<u>26</u>	<u>30</u>
	<u>203,920</u>	<u>354,621</u>

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

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income		
Government grants	8,885	4,083
Bank interest income	7,646	4,606
Investment income from financial assets at fair value through profit or loss	2,033	1,375
Others	<u>2</u>	<u>11</u>
	<u>18,566</u>	<u>10,075</u>
Gains		
Gain on disposal of items of property, plant and equipment	<u>14</u>	<u>–</u>
	<u>18,580</u>	<u>10,075</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	39,273	72,471
Depreciation of property, plant and equipment	3,827	3,148
Depreciation of right-of-use assets	1,935	1,832
Research and development costs	912	1,475
Lease payments not included in the measurement of lease liabilities	41	–
Auditor's remuneration	78	170
Investment income from financial assets at fair value through profit or loss	(2,033)	(1,375)
Government grants	(8,885)	(4,083)
Bank interest income	(7,646)	(4,606)
Foreign exchange differences, net	4,695	1,559
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	20,449	23,589
Pension scheme contributions	1,871	4,244
Staff welfare expenses	4,825	5,007
	27,145	32,840
Gain on disposal of items of property, plant and equipment	(14)	–
Impairment of other receivables	49	(129)
Impairment of trade receivables	(182)	(29)
Write-down of inventories to net realisable value	(143)	676

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax:		
Charge for the period	14,161	16,844
Deferred tax	<u>(7,301)</u>	<u>(1,771)</u>
Total tax charge for the period	<u>6,860</u>	<u>15,073</u>

8. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Final declared and paid – HK\$0.12 (2019: HK\$0.12) per ordinary share	<u>80,254</u>	<u>77,887</u>

The Board did not declare any interim dividend for the six months ended 30 June 2020 (the six months ended 30 June 2019: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

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

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>15,838</u>	<u>45,435</u>
	Number of shares	
	For the six months	
	ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>739,302,000</u>	<u>739,302,000</u>

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB27,816,000 (the six months ended 30 June 2019: RMB104,372,000).

Assets with a net book value of RMB146,000 were disposed of by the Group during the six months ended 30 June 2020 (the six months ended 30 June 2019: Nil), resulting in a net gain on disposal of RMB14,000 (the six months ended 30 June 2019: Nil).

11. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade receivables	49,349	111,824
Bills receivable	177,445	311,892
	226,794	423,716
Impairment	(7,083)	(7,265)
	219,711	416,451

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months, extending up to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

As at 30 June 2020, bills receivable of RMB177,445,000 (31 December 2019: RMB311,892,000) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under HKFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant.

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 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Less than 3 months	23,819	100,595
3 to 6 months	4,647	1,467
6 to 12 months	12,931	1,929
1 to 2 years	825	512
Over 2 years	44	56
	42,266	104,559

12. TRADE PAYABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade payables	<u>16,623</u>	<u>15,212</u>

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 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Less than 3 months	13,880	11,460
3 to 6 months	564	1,497
6 to 12 months	932	1,051
1 to 2 years	74	1
Over 2 years	<u>1,173</u>	<u>1,203</u>
	<u>16,623</u>	<u>15,212</u>

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Current				
Lease liabilities	4.75	Within 1 year	179	370
Bank loans – secured	4.35	Within 1 year	40,000	64,790
Bank loans – unsecured	4.35	Within 1 year	110,000	30,000
			<u>150,179</u>	<u>95,160</u>
Discounted bills receivable	3.10-3.40	Within 1 year	–	963
Discounted bills receivable	2.60-3.50	Within 1 year	49,565	–
			<u>49,565</u>	<u>963</u>
			<u>199,744</u>	<u>96,123</u>
Analysed into:				
Bank loans repayable:				
Within one year or on demand			<u>199,565</u>	<u>95,753</u>
Other borrowings repayable:				
Within one year or on demand			<u>179</u>	<u>370</u>
			<u>199,744</u>	<u>96,123</u>

Notes:

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

- (i) mortgages over certain of the Group's leasehold lands which had an aggregate net carrying value at the end of the reporting period of approximately RMB14,261,000 (31 December 2019: Nil); and
- (ii) mortgages over certain of the Group's buildings which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,329,000 (31 December 2019: Nil).

14. COMMITMENTS

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted, but not provided for:		
Buildings	56,368	55,384
Plant and machinery	6,788	14,179
	<u>63,156</u>	<u>69,563</u>

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 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
	<i>Note</i>		
An entity ultimately controlled by a director			
Guangxi Changbao Biological Technology Co., Ltd.			
("Changbao")			
Purchases of products	(i)	<u>1,482</u>	<u>1,960</u>

Note:

- (i) The purchases from a related party were made according to the published prices and conditions offered by the related party to their major customers.
- (b) Outstanding balances with related parties:
- (i) The Group had an outstanding balance due from related parties of RMB591,000 (31 December 2019: RMB587,000) as at 30 June 2020. The outstanding balance is unsecured, non-interest-bearing and payable on demand.
- (ii) The Group had an outstanding balance due to a director of RMB241,000 (31 December 2019: RMB237,000) as at 30 June 2020. The balance is unsecured, non-interest-bearing and repayable on demand.
- (iii) The Group's trade balances with its related party, Changbao, of RMB188,000 (31 December 2019: RMB949,000) as at 30 June 2020 are included in the prepayments, other receivables and other assets.

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

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short-term employee benefits	5,842	3,679
Pension scheme contributions	146	289
Total compensation paid to key management personnel	5,988	3,968

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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 2020 (unaudited)

	Fair value measurement using			Total RMB'000
	Quoted	Significant	Significant	
	prices in	observable	unobservable	
	active markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
Bills receivable	<u>–</u>	<u>177,445</u>	<u>–</u>	<u>177,445</u>

As at 31 December 2019 (audited)

	Fair value measurement using			Total RMB'000
	Quoted	Significant	Significant	
	prices in	observable	unobservable	
	active markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
Bills receivable	<u>–</u>	<u>311,892</u>	<u>–</u>	<u>311,892</u>

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 (31 December 2019: Nil).

During the six months ended 30 June 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (31 December 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as at 28 August 2020 (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 2020. 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 Herbal Vegetable Beverages Series Products”	Golden Throat Herbal Vegetable Beverages Series Products (金嗓子草本植物飲料系列產品), a series of the Group’s products and approved as a type of food
“Golden Throat Lozenges (OTC)”	Golden Throat Lozenges (金嗓子喉片), one of the Group’s key products and approved as a type of over-the-counter medicine
“Golden Throat Lozenge Series Products”	Golden Throat Lozenge Series Products (金嗓子喉寶系列產品), one of the Group’s key products and approved as food products
“Group”	the Company and its subsidiaries
“Herbal Vegetable Beverage”	Golden Throat Herbal Vegetable Beverage (金嗓子草本植物飲料), a series of products under Golden Throat Herbal Vegetable Beverages Series Products
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“IPO Proceeds”	the net proceeds from the listing of the Shares on the Stock Exchange
“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”	National Medical Products Administration (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 of the PRC 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. 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.

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 October 2019, in the 2019 overall statistical ranking of China non-prescription medicines enterprises and product brands, Golden Throat Lozenges stood out amongst many products and was awarded No. 1 amongst Chinese traditional medicines (Throat) by China Non-prescription Medicines Association. It ranked 37th in the overall ranking of manufacturing enterprises. In August 2020, the Group claimed the title of “2019 China Traditional Medicines Pharmaceutical Industry Top 100 Enterprise” at the 2020 China Pharmaceutical Industry Top 100 Annual Assembly.

Since the beginning of 2020, the Group has actively responded and acted to cope with the unexpected novel coronavirus pandemics, taken the initiative to resume work and production, and utilised domestic and overseas resources to actively organize donations of anti-epidemic materials and fundraising.

Affected by the novel coronavirus pandemic in the first half of 2020, most domestic distributors’ resumption of work and production was delayed and the volume of customer flow in general in retail outlets such as pharmacies and supermarkets suffered from certain decline, which caused certain impact to the offline business of Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products.

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.

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 2020, Golden Throat Lozenges (OTC) were exported to the United States, Canada, Russia, the European Union, Australia, Southeast Asia, Middle East, Mexico, Africa and the newly added export country Mongolia in 2019, across five continents of the world.

During the six months ended 30 June 2020, the Group's revenue from the sales of Golden Throat Lozenges (OTC) accounted for approximately 90.8% 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 2020, Golden Throat Lozenge Series Products were exported to 17 countries and regions.

During the six months ended 30 June 2020, the Group's revenue from the sales of Golden Throat Lozenge Series Products accounted for approximately 7.4% of its total revenue.

Other Products

Sales of the Group's other products accounted for approximately 1.8% of the Group's revenue for the six months ended 30 June 2020. Two of the Group's other products are Yinxingye Tablet (銀杏葉片) and Herbal Vegetable Beverages. Yinxingye Tablet is mainly designed to facilitate blood circulation, remove blood stasis and dredge energy channels and was approved as a prescription medicine by the NMPA, while the main function of Herbal Vegetable Beverages is soothing voice and relieving sore throats.

Research and Development

The Group's business has significantly benefited from its strong track record in research and development. Since 1994, the Group has successfully developed 31 new products for which it has obtained manufacturing permits, amongst which, eight are pharmaceutical products (including Jinyin Sanqi Capsule (金銀三七膠囊)), 21 are food products, one is a health supplement and one is a medical apparatus product.

The Group's research and development activities are conducted both in-house and through collaborations with external research institutions, such as hospitals, institutes for drug research and other companies. As at 30 June 2020, the Group's research and development team consisted of approximately 270 people.

Sales, Marketing and Distribution

Branding

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

Distribution Network

The Group has established an extensive and structured sales and distribution network throughout China for its (i) over-the-counter medicines; (ii) food products; and (iii) prescription medicines. During the six months ended 30 June 2020, substantially all of the Group's revenue was generated from sales to distributors.

As at 30 June 2020, the Group's distribution network had no substantial change, with over 600 distributors directly engaged by it and covering all the provinces, autonomous regions and municipal cities throughout China. In addition, the Group has also engaged promoters to further facilitate its product promotion and advertising, strengthen communication with its customers and monitor the activities of its distributors. The Group restructured its sales system since the first half of 2018. After reorganisation of the Group's distribution network and delineating distribution areas, the number of sub-distributors has increased.

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. In the future, the dual development of retail pharmacies and online sales will contribute to the development of an efficient and comprehensive distribution system.

In the first half of 2020, due to the impact of the novel coronavirus pandemic in the PRC, most domestic distributors' resumption of work and production was delayed and the volume of customer flow in general in retail outlets such as pharmacies and supermarkets suffered from certain decline, which caused certain impact to the offline business of Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products. As of six months ended 30 June 2020, the Group's secured orders decreased as compared to the corresponding period in 2019.

Promoters

As at 30 June 2020, 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 grow 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. 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.

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 Group has commenced its strategic expansion into new geographic markets such as Qinghai, Jilin and Inner Mongolia through the Group's refined distribution network established back in 2013 and will continue to expand into new markets and further penetrate its existing markets through the expansion of its sales team to provide more distribution and sales support to its distributors at the pharmacy level. In addition, by evaluating its experience in adjusting the operational policy in 2018, the Group further improved the restructuring of the national sales channel of Golden Throat Lozenges (OTC) in 2019, while the enhancement of the Group's channel has been successfully achieved. At the beginning of 2020, people consumed less outdoors and mainly relied on online purchasing due to the impact of COVID-19. The Group continues to develop E-commerce and new retails and the Group's Golden Throat WeChat Mini Program Mall was launched in early 2020. The Group will further strengthen and develop online sales channel in the future.

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

The Group also intends to increase its production capacity by constructing a new production base to meet the market demand for its Golden Throat Lozenges (OTC). As at 30 June 2020, part of the external structures of plants and offices of a new medicine production and research and development base of the Group located at Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region were completed and its commissioning of production line and trial production were being carried out. After completion of inspection work such as Good Manufacturing Practice (GMP), it is expected that the overall relocation of the Group will be implemented in the second half of 2020. The new production base covers a usable area of about 120,000 square meters, including research and development centers, production plants, warehouses and administrative office buildings. The fully automated production line of the production plant will improve the efficiency of the production process, streamline production and packaging facilities. A brand-new modern production enterprise will be formed with the new production and research and development base of drugs, new factories, new processes and new production lines, which will completely upgrade the management platform and manufacturing platform of the factory, 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. After the expansion in 2020 as scheduled, the Group expects to have an increase of approximately 57% in its annual production capacity of Golden Throat Lozenges (OTC).

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

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group's revenue decreased by approximately RMB150.7 million or 42.5% to approximately RMB203.9 million, as compared to approximately RMB354.6 million for the six months ended 30 June 2019.

For the six months ended 30 June 2020, the Group's revenue generated from sales of Golden Throat Lozenges (OTC) was approximately RMB185.2 million, representing a decrease of approximately RMB132.4 million or 41.7% as compared to approximately RMB317.6 million for the six months ended 30 June 2019. 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 novel coronavirus pandemic in the PRC, which resulted in a certain decline in the volume of customer flow in general in retail outlets such as pharmacies and supermarkets, which in turn caused certain impact to the sales of Golden Throat Lozenges (OTC).

For the six months ended 30 June 2020, the Group's revenue from the sales of the Golden Throat Lozenge Series Products amounted to approximately RMB15.1 million as compared to approximately RMB31.9 million for the six months ended 30 June 2019, representing a decrease of approximately RMB16.8 million or 52.7%, which was mainly attributable to the impact of the novel coronavirus pandemic in the PRC leading to the sales decrease.

For the six months ended 30 June 2020, the Group's revenue from sales of other products amounted to approximately RMB3.6 million as compared to approximately RMB5.1 million for the six months ended 30 June 2019, representing a decrease of approximately RMB1.5 million or 29.4%, which was mainly attributable to the impact of the novel coronavirus pandemic in the PRC leading to the decrease in sales.

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 2020 (Unaudited)					
	Sales	Revenue	Cost	Gross margin	Unit price	Unit cost
	volume <i>boxes'000</i>					
		<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB</i>	<i>RMB</i>
Golden Throat Lozenges (OTC)	28,789	185,204	40,527	78.1	6.4	1.4
Golden Throat Lozenge Series Products	2,880	15,145	5,704	62.3	5.3	2.0

	For the six months ended 30 June 2019 (Unaudited)					
	Sales	Revenue	Cost	Gross margin	Unit price	Unit cost
	volume <i>boxes'000</i>					
		<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB</i>	<i>RMB</i>
Golden Throat Lozenges (OTC)	50,135	317,566	71,061	77.6	6.3	1.4
Golden Throat Lozenge Series Products	6,262	31,938	12,441	61.1	5.1	2.0

Cost of Sales

The Group's cost of sales consists primarily of cost of packaging materials, labor costs, cost of raw materials, commission processing fee, write-down of inventories to net realisable value, depreciation and other costs relating to its production of Golden Throat Lozenges (OTC), Golden Throat Lozenge Series Products and other products.

The Group's cost of sales decreased from approximately RMB93.1 million for the six months ended 30 June 2019 to approximately RMB51.6 million for the six months ended 30 June 2020, which represents approximately 25.3% of the Group's total revenue for the same period. The decrease in cost of sales of the Group for the six months ended 30 June 2020 was primarily because of the decrease in the sales volume of Golden Throat Lozenges (OTC).

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

	For the six months ended 30 June 2020 (Unaudited)		For the six months ended 30 June 2019 (Unaudited)	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Packaging materials	22,968	44.5%	42,351	45.5%
Raw materials	13,571	26.3%	20,796	22.3%
Labor costs	10,996	21.3%	17,359	18.6%
Write-down of inventories to net realisable value	5	0.0%	676	0.7%
Depreciation	1,335	2.6%	2,623	2.8%
Commission processing fee	9	0.0%	3,712	4.0%
Other costs	2,725	5.3%	5,612	6.1%
Total	<u>51,609</u>	<u>100.0%</u>	<u>93,129</u>	<u>100.0%</u>

Gross Profit

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

For the six months ended 30 June 2020, the Group's gross profit decreased to approximately RMB152.3 million, as compared to approximately RMB261.5 million for the six months ended 30 June 2019, representing a decrease of approximately RMB109.2 million, or 41.8%. The decrease in the Group's gross profit was mainly due to the decrease in the Group's revenue. The Group's gross profit margin increased to 74.7% for the six months ended 30 June 2020 from 73.7% for the corresponding period of 2019.

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 2020, the Group's other income and gains increased to approximately RMB18.6 million, as compared to approximately RMB10.1 million for the six months ended 30 June 2019, representing an increase of approximately RMB8.5 million, mainly due to the Government grant and the increase on interest income.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of (i) advertising expenses; (ii) promotion expenses; (iii) transportation expenses; (iv) employee benefit expenses; (v) travel and office expenses; and (vi) other miscellaneous expenses. For the six months ended 30 June 2020, the Group's selling and distribution expenses amounted to approximately RMB106.6 million, as compared to approximately RMB173.7 million for the six months ended 30 June 2019, representing a decrease of approximately RMB67.1 million, or 38.6%. The decrease was primarily due to the novel coronavirus pandemic leading to the decrease of the promotion 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 relating to its office equipment; (v) depreciation of right-of-use assets; (vi) professional services fees incurred for legal, tax and other services, and (vii) other miscellaneous expenses. For the six months ended 30 June 2020, the Group's administrative expenses amounted to approximately RMB29.0 million, as compared to approximately RMB27.2 million for the six months ended 30 June 2019, representing an increase of approximately RMB1.8 million, or 6.6%. The increase was primarily due to some offices of the new medicine production and research and development base has completed and started depreciating.

Other Expenses

Other expenses of the Group mainly include (i) litigation fee, (ii) exchange losses and (iii) donation expenses. For the six months ended 30 June 2020, the Group's other expenses amounted to approximately RMB6.3 million, as compared to approximately RMB6.5 million for the six months ended 30 June 2019, representing a decrease of approximately RMB0.2 million. Other expenses remained basically the same as compared to the corresponding period in 2019.

Finance Costs

For the six months ended 30 June 2020, the Group's finance costs amounted to approximately RMB6.3 million, as compared to approximately RMB3.7 million for the six months ended 30 June 2019, representing an increase of approximately RMB2.6 million, or 70.3%. The increase was mainly due to the increase in the Group's bank borrowings during the six months ended 30 June 2020 as compared to the corresponding period in 2019.

Income Tax Expense

For the six months ended 30 June 2020, the Group's income tax expense amounted to approximately RMB6.9 million, as compared to approximately RMB15.1 million for the six months ended 30 June 2019, representing a decrease of approximately RMB8.2 million, or 54.3%. The effective tax rate for the six months ended 30 June 2020 and the corresponding period of 2019 was 30.2% and 24.9%, respectively.

Net Profit

The Group's net profit for the six months ended 30 June 2020 was approximately RMB15.8 million, as compared to approximately RMB45.4 million for the six months ended 30 June 2019, representing a decrease of approximately RMB29.6 million, or 65.2%. The decrease in the Group's net profit was mainly due to the decrease in the Group's revenue. For the reasons of decrease in the Group's revenue, please refer to the section headed "Revenue" above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As at 30 June 2020, the Group had net current assets of approximately RMB585.2 million, as compared to approximately RMB677.0 million as at 31 December 2019. The current ratio of the Group decreased to approximately 2.4 as at 30 June 2020 from 2.5 as at 31 December 2019. The decrease in net current assets was mainly attributable to the increase in the Group's capital used in the construction of a new medicines production and research and development base in Luowei Industrial Concentration Area.

Borrowings and the Pledge of Assets

As at 30 June 2020, the Group had an aggregate interest-bearing bank borrowings and other borrowings of approximately RMB199.7 million, as compared to approximately RMB96.1 million as at 31 December 2019. All the bank borrowings are repayable within one year. As compared with 31 December 2019, the increase in bank borrowings and other borrowings was for the purpose of replenishing the working capital required for the Group.

As at 30 June 2020, 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 2020, certain of the Group's bank loans were secured by:

- (i) mortgages over certain of the Group's leasehold lands which had an aggregate net carrying value at the end of the reporting period of approximately RMB14,261,000 (31 December 2019: Nil); and
- (ii) mortgages over certain of the Group's buildings which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,329,000 (31 December 2019: Nil).

Gearing Ratio

As at 30 June 2020, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to approximately 18.3% from approximately 8.3% as at 31 December 2019. Such increase was primarily attributable to the Group's increased bank borrowings from approximately RMB96.1 million as at 31 December 2019 to approximately RMB199.7 million as at 30 June 2020.

CONTINGENT LIABILITIES

As at 30 June 2020, there has been no significant change in the contingent liabilities of the Group (except that the contingent liabilities no longer included the arbitration with Qi Feng Food Science and Technology (Beijing) Co., Ltd.*) as compared to its position as at 31 December 2019. For further details, please refer to the announcement of the Company dated 31 March 2020 in relation to the annual results for the year ended 31 December 2019.

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\$8.1 million and US\$5.4 million as at 30 June 2020, 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 2020, the Group did not use any financial instruments to hedge its foreign exchange risk.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2020, the Group employed a total of 902 full-time employees, as compared to a total of 839 full-time employees as at 30 June 2019. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB32.2 million for the six months ended 30 June 2020 as compared to approximately RMB26.9 million for the corresponding period in 2019. 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 2020, 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 of the six months ended 30 June 2020, the Group committed to investing approximately RMB63.2 million for the purpose of constructing a new medicines production and research and development base in Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region. Such investment will be funded by the IPO Proceeds as set out in the section headed “Use of net proceeds from listing” below. Save as mentioned above, the Group currently does not have other plans for material investments or capital assets.

SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

There was no event causing significant impact to the Group since 30 June 2020 and up to the date of this announcement.

PROSPECTS

The Group will continue to seek to strengthen its leading position in the lozenge market and continue to expand its market share in the PRC pharmaceutical and food markets. Moreover, the Group will aim to increase its production capacities, expand its product portfolio and strengthen its research and development capabilities. It will enhance its food and other pharmaceutical businesses and promote synergies across different product segments.

It is expected that brand-new modern production enterprise will be formed with the new production and research and development base for drugs, new factories, new processes and new production lines, which will completely upgrade the management platform and manufacturing platform of the factory, comprehensively improve 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 the future, the Group will aim to enhance its brand recognition through effective and targeted marketing efforts, and will continue to expand its distribution network, to refine associated infrastructure and to leverage on its existing distribution network to promote different products.

USE OF NET PROCEEDS FROM LISTING

The IPO Proceeds (including the additional proceeds pursuant to the partial exercise of the over allotment option), after deducting underwriting fees and related expenses, amounted to approximately HK\$909.6 million, which are intended to be applied in the manner disclosed in the Prospectus. Details of the use of the IPO Proceeds are set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. As of 30 June 2020, there was no change to the intended use of the IPO Proceeds as disclosed in the Prospectus.

From the Listing Date to 30 June 2020, the Group had utilised approximately HK\$608.36 million, representing approximately 66.88% of the IPO Proceeds. Set out below is a summary of the utilisation of the IPO Proceeds:

Use of IPO Proceeds

	Utilised <i>HK\$'000</i>	% of IPO <i>Proceeds</i>
Construction in Luowei Industrial Concentration Area	205,007	22.54
Conversion of headquarters	—	—
Market expansion	286,685	31.52
Product development	18,761	2.06
Establishment of Chinese herbs processing base	—	—
Refinement and Upgrade of electronic code system	6,948	0.76
General working capital	90,960	10.00

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2020.

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 2020.

Under code provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. According to the CG Code, where an issuer considers a more suitable alternative to a code provision exists, it should adopt it and give reasons. The Company did not arrange any insurance cover. The Board believes that with regular and timely communications among the Directors and the management of the Group, potential claims and legal actions against the Directors can be handled effectively without the need for insurance to be maintained. The Board will regularly review the procedures in handling potential claims and legal actions and take into account the requirements of the Directors and will monitor the need for making such an arrangement.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. After having made specific enquiry to all Directors, the Company confirmed that all of the Directors complied with the required standards set out in the Model Code during the six months ended 30 June 2020.

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 2020.

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 2020. 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 2020 are unaudited.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020 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 2020 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 People's Republic of China, 28 August 2020

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

* *For identification purpose only*