



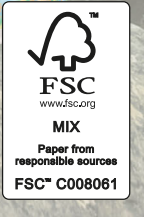
金嗓子控股集團有限公司

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 2021





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COMPANY PROFILE



Golden Throat Holdings Group Company Limited (the “Company”, together with its subsidiaries, the “Group” or “Golden Throat”) is a leading manufacturer of lozenges in China. In April 2021, in the 2020 overall statistical ranking of China nonprescription medicines enterprises and product brands, Golden Throat Lozenges stood out among many products and was awarded No. 1 amongst Chinese traditional medicines (Throat) by China Nonprescription Medicines Association and the honorary title of 2020 China Nonprescriptive Golden Product. It was also listed in the Top 500 Chinese Brands at the 14th China Brand Festival in August 2020, and won the honour of “2019 Top 100 Chinese Medicine Enterprises in China Pharmaceutical Industry” in the Top 100 Pharmaceutical Enterprises in China Conference in August 2020. 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

AUTHORISED REPRESENTATIVES

Mr. HE Jinqiang
Ms. NG Wing Shan

EXECUTIVE DIRECTORS

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

REGISTERED OFFICE

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 28, Yuejin Road Liuzhou
Guangxi Zhuang Autonomous Region
China

AUDIT COMMITTEE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Center
No. 248 Queen's Road East
Wanchai, Hong Kong

REMUNERATION COMMITTEE

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

COMPANY'S WEBSITE

www.goldenthroat.com

NOMINATION COMMITTEE

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

STOCK CODE

06896

COMPANY SECRETARY

Ms. NG Wing Shan

CORPORATE INFORMATION (CONTINUED)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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 2021:

- Revenue increased by approximately RMB169.4 million or 83.1% to approximately RMB373.3 million, as compared to the six months ended 30 June 2020.
- Gross profit increased by approximately RMB123.3 million or 81.0% to approximately RMB275.6 million, as compared to the six months ended 30 June 2020.
- Earnings before interest, taxes, depreciation and amortisation increased by approximately RMB83.7 million or 240.5% to approximately RMB118.5 million, as compared to the six months ended 30 June 2020.
- Profit attributable to equity holders of the Company increased by approximately RMB65.7 million or 415.8% to approximately RMB81.5 million, as compared to the six months ended 30 June 2020.

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” of “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 Lozenge (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.
“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 Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

DEFINITIONS (CONTINUED)

“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 report only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 30 June 2015 in respect of the global offering of the Shares
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares in the capital of the Company with a nominal value of US\$0.000025 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America, its territories, its possessions and all its jurisdiction
“US\$” or “USD”	United States dollars, the lawful currency of the United States

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis was prepared on August 26, 2021 (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 June 30, 2021.

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 April 2021, Golden Throat Lozenges stood out amongst many products and was awarded No. 1 amongst Chinese traditional medicines (Throat) by China Non-prescription Medicines Association and was awarded the title of 2020 China Nonprescriptive Golden Product in the 2020 overall statistical ranking of China non-prescription medicines enterprises and product brands. It was also listed in the Top 500 Chinese Brands at the 14th China Brand Festival in August 2020. In August 2020, the Group claimed the title of “2019 China Traditional Medicines Pharmaceutical Industry Top 100 Enterprise” at the China Pharmaceutical Industry Top 100 Annual Assembly. Currently, the Group has developed into a modern integrated group mainly engaging in the manufacture and sale of lozenges and other pharmaceutical and food products.

In early 2020, in response to the sudden outbreak of novel coronavirus (“COVID-19”) pandemic, the Group proactively responded and took the initiative to resume production, as well as using all domestic and overseas resources to actively organise anti-pandemic materials and fundraising.

As most of the distributors in the PRC were delayed in resuming production due to the impact of the COVID-19 pandemic throughout 2020, and there was a certain degree of sluggish customer flow in pharmacies and supermarkets, the offline business of Golden Throat Lozenges (OTC) and Golden Throat Lozenges Series Products was affected to a certain extent.

In the first half of 2021, against the backdrop of the global COVID-19 outbreak, the overall situation in PRC was stable despite some regional breaks of COVID-19. With the increase in the COVID-19 vaccination rate, the prevention and control of the outbreak in the PRC were strengthened and the national economy maintained a stable recovery. The sales of the Group’s products have also returned to the pre-COVID-19 level.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2021, Golden Throat Lozenges (OTC) were exported to the United States, Canada, Russia, the European Union, Australia, Southeast Asia, Middle East, Mexico, Mongolia and Africa, across five continents of the world.

During the six months ended 30 June 2021, the Group's revenue from the sales of Golden Throat Lozenges (OTC) accounted for approximately 89.3% 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 2021, Golden Throat Lozenge Series Products were exported to 17 countries and regions.

During the six months ended 30 June 2021, the Group's revenue from the sales of Golden Throat Lozenge Series Products accounted for approximately 9.4% of its total revenue.

Other Products

Sales of the Group's other products accounted for approximately 1.3% of the Group's revenue for the six months ended 30 June 2021. 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, including eight pharmaceutical products (including Jinyin Sanqi Capsule (金銀三七膠囊)), 21 food products, one health supplement and one medical apparatus product.

The Group's research and development activities are conducted both in-house and through collaborations with external research institutions, such as hospitals, institutes for drug research and other companies. As at 30 June 2021, the Group's research and development team consisted of approximately 275 people.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Sales, Marketing and Distribution

Branding

The Group believes that strong brand recognition and customer loyalty are key to the recognition of the “Golden Throat (金嗓子)” brand. In 2017, “Golden Throat (金嗓子)” brand was selected as a world famous brand by the China America Branding Strategy Forum and in the same year, the Company was ranked amongst the listed companies on the Forbes China Up-and-Comers List. At the China Financial Market Awards 2019, Golden Throat stood out for its excellent performance in brand value, and was awarded the Best Brand Value Award. It also won the Huapu Award at the 13th China Brand Festival in August 2019. In April 2021, Golden Throat Lozenges stood out amongst many products and was awarded No. 1 amongst Chinese traditional medicines (Throat) by China Non-prescription Medicines Association in the 2020 overall statistical ranking of China non-prescription medicines enterprises and product brands. In May 2021, the Golden Throat brand story “The Treasure of Each Other” won the Gold Award for film and television works at the 21st IAI Design Awards.

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 2021, substantially all of the Group’s revenue was generated from sales to distributors.

As at 30 June 2021, the Group’s distribution network had over 680 distributors directly engaged by it and covering all the provinces, autonomous regions and municipal cities throughout China. The number of distributors as at 30 June 2021 increased compared to the same period last year, which was beneficial to the expansion of the Group’s national sales network and enhanced the market coverage of the Group’s products. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

PROMOTERS

As at 30 June 2021, 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. Throat diseases are common and are frequently triggered. Given that the particulate matter 2.5 (PM2.5) has been at an unhealthy level in most of the major cities in China for a long time in recent years, air pollution is one of the main causes of respiratory infections, especially pharyngitis. In view of the air pollution problem, consumers are more concerned about protecting their throats, and the pharmaceutical and lozenge market in China is expected to grow continuously. Furthermore, young people these days also pay attention to throat products that can effectively remove oral odor that cool the throat and refresh the mind. The flagship products of the Group, Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products, cover a wide range of pharmacies and supermarkets to provide consumers with purchasing channels that are more convenient.

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

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.

The Group has commenced its strategic expansion into new geographic markets such as Qinghai province, Jilin province 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, leveraging 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 and successfully enhanced the Group's sales channel. The impact of the outbreak of the COVID-19 pandemic in early 2020 had a profound effect on economic development, industry patterns and lifestyles. Despite the short-term turmoil, people have become more concerned about their physical and mental health, the opportunities for the industry will only continue to grow, and the market is still full of momentum and hope. In view of this, the Group will continue to strengthen its "single brand, multi-category, multi-channel" development strategy. Focusing on product, channel and retail operation capabilities as well as supply chain management, the Group will continue to attract consumers' attention through creative features, exclusive product sales and innovative diversified channel development to enrich the brand image and impact.

People have been spending less outside of their homes, and online shopping has become the main consumption environment, with e-commerce and new retailing continuing to flourish since 2020. After the launch of the Group's Golden Throat WeChat Mini-program Mall in early 2020, we continued to expand our online sales channels in 2021, and we believe we will make new breakthroughs in our online business in 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.

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 at 30 June 2021, plants and office buildings 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 it is expected that the Group will gradually relocate in the second half of 2021. The new production base covers a usable area of about 60,000 square meters, including research and development centers, production plants, warehouses and administrative office buildings. The fully automated production line in the production plant will improve the efficiency of the production process. A brand-new modern production enterprise will be formed with the new production and research and development base, new factories, new workflow and new production lines, which will completely upgrade the management platform and manufacturing platform of the factories, comprehensively improving the manufacturing quality and technology content of the products, enhancing the comprehensive competitiveness of the Company, and will lay a solid foundation for expanding and strengthening the Company.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group's revenue increased by approximately RMB169.4 million or 83.1% to approximately RMB373.3 million, as compared to approximately RMB203.9 million for the six months ended 30 June 2020.

For the six months ended 30 June 2021, the Group's revenue generated from sales of Golden Throat Lozenges (OTC) was approximately RMB333.3 million, representing an increase of approximately RMB148.1 million or 80.0% as compared to approximately RMB185.2 million for the six months ended 30 June 2020. The increase in the Group's total revenue, and in the revenue generated from the sales of Golden Throat Lozenges (OTC), was mainly due to the fact that the Group's sales in the first half of 2021 have recovered to the level prior to the outbreak of the COVID-19 pandemic.

For the six months ended 30 June 2021, the Group's revenue from the sales of the Golden Throat Lozenge Series Products amounted to approximately RMB35.2 million as compared to approximately RMB15.1 million for the six months ended 30 June 2020, representing an increase of approximately RMB20.1 million or 133.1%, which was mainly attributable to the fact that the Group's sales in the first half of 2021 have recovered to the level prior to the outbreak of the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the six months ended 30 June 2021, the Group's revenue from sales of other products amounted to approximately RMB4.8 million as compared to approximately RMB3.6 million for the six months ended 30 June 2020, representing an increase of approximately RMB1.2 million or 33.3%, which was mainly attributable to the fact that the Group's sales in the first half of 2021 have recovered to the level prior to the outbreak of the COVID-19 pandemic.

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

	For the six months ended 30 June 2020 (Unaudited)					
	Sales volume Boxes '000	Revenue RMB'000	Cost RMB'000	Gross margin %	Unit price RMB	Unit cost RMB
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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 increased from approximately RMB51.6 million for the six months ended 30 June 2020 to approximately RMB97.7 million for the six months ended 30 June 2021. The increase in cost of sales of the Group for the six months ended 30 June 2021 was primarily because of the sales of Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products have recovered to the level prior to the outbreak of the COVID-19 pandemic.

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 2021 (Unaudited)		For the six months ended 30 June 2020 (Unaudited)	
	RMB'000	% of total	RMB'000	% of total
Packaging materials	45,883	47.0%	22,968	44.5%
Raw materials	22,316	22.8%	13,571	26.3%
Labor costs	20,496	21.0%	10,996	21.3%
Write-down of inventories to net realisable value	2	0.0%	5	0.0%
Depreciation	5,238	5.4%	1,335	2.6%
Commission processing fee	–	0.0%	9	0.0%
Other costs	3,749	3.8%	2,725	5.3%
Total	97,684	100.0%	51,609	100.0%

Gross Profit

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

For the six months ended 30 June 2021, the Group's gross profit increased to approximately RMB275.6 million, as compared to approximately RMB152.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB123.3 million, or 81.0%. The increase in the Group's gross profit was mainly due to the increase in the Group's sales volume. The Group's gross profit margin decreased to 73.8% for the six months ended 30 June 2021 from 74.7% for the corresponding period of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Income and Gains

The Group's other income and gains mainly comprised government grants, exchange gains and interest income. For the six months ended 30 June 2021, the Group's other income and gains increased to approximately RMB20.1 million, as compared to approximately RMB18.6 million for the six months ended 30 June 2020, representing an increase of approximately RMB1.5 million, mainly due to exchange gains and the gain from settlement of the Group's litigation.

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 2021, the Group's selling and distribution expenses amounted to approximately RMB147.9 million, as compared to approximately RMB106.6 million for the six months ended 30 June 2020, representing an increase of approximately RMB41.3 million, or 38.7%. The increase was primarily due to the increase in promotion expenses following the recovery of pandemic in early 2021 as the Group enhanced promotion in order to recover the sales.

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 2021, the Group's administrative expenses amounted to approximately RMB46.7 million, as compared to approximately RMB29.0 million for the six months ended 30 June 2020, representing an increase of approximately RMB17.7 million, or 61.0%. The increase was primarily due to the increase in depreciation and salaries for administrative personnel.

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 2021, the Group's other expenses amounted to approximately RMB0.6 million, as compared to approximately RMB6.3 million for the six months ended 30 June 2020, representing a decrease of approximately RMB5.7 million. The decrease was mainly due to the exchange gains of approximately RMB3.1 million generated by the Group during the current period, while exchange losses of approximately RMB4.7 million were generated during the same period in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCE COSTS

For the six months ended 30 June 2021, the Group's finance costs amounted to approximately RMB2.9 million, as compared to approximately RMB6.3 million for the six months ended 30 June 2020, representing a decrease of approximately RMB3.4 million, or 54.0%. The decrease was mainly due to the decrease in interest-bearing bank and other borrowings and lower interest rate.

Income Tax Expense

For the six months ended 30 June 2021, the Group's income tax expense amounted to approximately RMB16.1 million, as compared to approximately RMB6.9 million for the six months ended 30 June 2020, representing an increase of approximately RMB9.2 million, or 133.3%. The effective tax rate for the six months ended 30 June 2021 and the corresponding period of 2020 was 16.5% and 30.2%, respectively.

Net Profit

The Group's net profit for the six months ended 30 June 2021 was approximately RMB81.5 million, as compared to approximately RMB15.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB65.7 million, or 415.8%. The increase in the Group's net profit was mainly due to the increase in the Group's revenue. For the reasons of the increase in the Group's revenue, please refer to the section headed "Revenue" above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As at 30 June 2021, the Group had net current assets of approximately RMB728.7 million, as compared to approximately RMB696.4 million as at 31 December 2020. The current ratio of the Group was approximately 2.5 as at 30 June 2021 and 31 December 2020.

Borrowings and the Pledge of Assets

As at 30 June 2021, the Group had an aggregate interest-bearing bank borrowings and other borrowings of approximately RMB210.3 million, as compared to approximately RMB152.5 million as at 31 December 2020. All the bank borrowings are repayable within one year. As compared with 31 December 2020, the increase in bank borrowings and other borrowings was for the purpose of replenishing the working capital required for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 June 2021, 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 below.

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 2021, certain of the Group's bank loans were secured by:

- (i) the pledge of the Group's bills and deposits amounting to RMB64,110,000 (31 December 2020: Nil);
- (ii) mortgages over the Group's leasehold lands which had a net carrying value at the end of the reporting period of approximately RMB17,968,000 (31 December 2020: RMB14,037,000); and
- (iii) mortgages over the Group's buildings which had a net carrying value at the end of the reporting period of approximately RMB3,582,000 (31 December 2020: RMB1,257,000).

Gearing Ratio

As at 30 June 2021, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to approximately 16.7% from approximately 12.5% as at 31 December 2020. Such increase was primarily attributable to the Group's increased interest-bearing bank and other borrowings from approximately RMB152.5 million as at 31 December 2020 to approximately RMB210.3 million as at 30 June 2021.

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\$9.3 million and US\$14.7 million as at 30 June 2021, 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 will continue to closely monitor foreign exchange risks and consider hedging significant foreign exchange exposure when necessary.

For the six months ended 30 June 2021, the Group did not use any financial instruments to hedge its foreign exchange risk.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2021, the Group employed a total of 952 full-time employees, as compared to a total of 902 full-time employees as at 30 June 2020. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB35.3 million for the six months ended 30 June 2021 as compared to approximately RMB32.2 million for the corresponding period in 2020. 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 2021, the Group did not hold any significant investments or make any material acquisitions or disposals of subsidiaries, associates or joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of the six months ended 30 June 2021, the Group committed to investing approximately RMB5.2 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

Events after the Reporting Period

Proposal for the Take Private of the Company

Reference is made to the joint announcement on 12 August 2021 made by the Company and Aureli Investments Ltd (the “Offeror”) in relation to the proposal for the take private of the Company (the “Proposal”). On 12 August 2021, the Offeror and the Company entered into an implementation agreement pursuant to which the parties have agreed to use all reasonable endeavours to implement the Proposal for the take private of Company by way of a scheme of arrangement under section 86 of the Companies Act (the “Scheme”), which if approved and implemented, will result in the Company being taken private by the Offeror and the withdrawal of the listing of the Shares. The Proposal will involve, among other things, making an offer to cancel 189,269,300 Shares (being the Shares held by Shareholders other than any Shareholders acting in concert with the Offeror), in exchange for the cancellation price of HK\$2.80 per Share in cash.

The scheme documents including, among other things, further details of the Proposal, the Scheme and other relevant matters will be despatched to Shareholders of the Company as soon as practicable and in compliance with the requirements of the Hong Kong Code on Takeovers and Mergers and applicable laws.

Please refer to the announcement of the Company dated 12 August 2021 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2021, there was no change to the intended use of the IPO Proceeds as disclosed in the Prospectus.

From the Listing Date to 30 June 2021, the Group had utilised approximately HK\$618.81 million, representing approximately 68.03% of the IPO Proceeds. Set out below is a summary of the utilisation of the IPO Proceeds:

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Use of IPO Proceeds

	Utilised	
	HK\$'000	% of IPO Proceeds
Construction in Luowei Industrial Concentration Area	208,418	22.91
Conversion of headquarters	–	–
Market expansion	286,685	31.52
Product development	23,305	2.56
Establishment of Chinese herbs processing base	–	–
Refinement and Upgrade of electronic code system	9,443	1.04
General working capital	90,960	10.00

As at 30 June 2021, the unutilized proceeds from the Group's initial public offering will be used in the following manner:

(i) Conversion of headquarters

Approximately 21% will be utilized to convert its current headquarters at No. 28, Yuejin Road, Liuzhou, Guangxi Zhuang Autonomous Region into a food production plant, of which:

- a. approximately 16% will be used for building construction; and
- b. approximately 5% will be used for the procurement of new production and packaging equipment;

(ii) Establishment of Chinese herbs processing base

Approximately 4% will be utilized to establish a Chinese herbs processing base on our current site in Laibin, Guangxi Zhuang Autonomous Region;

The Group plans to commence the above projects after the Group has successfully relocated to a new pharmaceutical production, research and development base located in the Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region in 2021.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2021.

CORPORATE GOVERNANCE/OTHER INFORMATION

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 2021.

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 2021.

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 2021.

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 2021. 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 2021 are unaudited.

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

DIRECTORS' AND THE GENERAL MANAGERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors and the general manager of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Directors	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares
Mr. ZENG Yong ⁽⁴⁾	Founder of a discretionary trust 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. LU Xinghong ⁽⁸⁾	Beneficiary of a trust	17,100,000	2.31%
Mr. HE Jinqiang ⁽⁹⁾	Beneficiary of a trust	17,100,000	2.31%

Notes:

- (1) Unless the context otherwise requires, terms used in these notes have the meanings prescribed to them in the Prospectus.
- (2) The calculation is based on the total number of 739,302,000 Shares in issue as at 30 June 2021.
- (3) The Senior Management Trust and the Employees Trust were combined on 10 July 2017, and the Employees Trust has been replaced.

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

- (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 all the 516,013,700 Shares.
- (5) Ms. JIANG Peizhen is the protector of the Senior Management Trust. For so long as Jin Chen Employee Holdings Limited holds or controls shares in the Company, all voting rights attaching to such shares shall be exercised by an investment review panel consisting of Ms. JIANG Peizhen and/or such other person(s) as they may wish to appoint. As a result, Ms. JIANG Peizhen is deemed to be interested in 58,937,400 Shares of the Company.
- (6) The Senior Management Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of certain senior management employed or formerly employed by Guangxi Golden Throat and their dependents including Mr. HUANG Jianping, with Jin Chen Employee Holdings Limited as the trustee, holds the entire issued share capital of Jin Qing Global. Accordingly, Mr. HUANG Jianping is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.
- (7) The Senior Management Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of certain senior management employed or formerly employed by Guangxi Golden Throat and their dependents including Mr. ZENG Kexiong, with Jin Chen Employee Holdings Limited as the trustee, holds the entire issued share capital of Jin Qing Global. Accordingly, Mr. ZENG Kexiong is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.
- (8) The Senior Management Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of certain senior management employed or formerly employed by Guangxi Golden Throat and their dependents including Mr. LU Xinghong, with Jin Chen Employee Holdings Limited as the trustee, holds the entire issued share capital of Jin Qing Global. Accordingly, Mr. LU Xinghong is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.
- (9) The Senior Management Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of certain senior management employed or formerly employed by Guangxi Golden Throat and their dependents including Mr. HE Jinqiang, with Jin Chen Employee Holdings Limited as the trustee, holds the entire issued share capital of Jin Qing Global. Accordingly, Mr. HE Jinqiang is deemed to be interested in 17,100,000 Shares held by Jin Qing Global.

Save as disclosed above, as at 30 June 2021, so far as is known to the Directors or the general manager of the Company, none of the Directors or the general manager of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

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 2021.

SHARE OPTION SCHEME

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

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme during the six months ended 30 June 2021, and there were no outstanding share options as at 1 January 2021 and 30 June 2021, respectively.

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

As at 30 June 2021, to the knowledge of the Directors, the interests or short positions of the following persons (excluding the Directors or the general manager of the Company, whose interests are disclosed on pages 25 to 26 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:

CORPORATE GOVERNANCE/OTHER INFORMATION (CONTINUED)

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%

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 2021.
- (4) The Family Trust, an irrevocable discretionary trust established by Mr. ZENG Yong (as the settlor) for the benefit of Mr. ZENG Yong and his children and descendants. Sovereign Trust International Limited is the trustee of the Family Trust and holds 100% issued share capital of Jin Jiang Global, which then holds 100% issued share capital of Golden Throat International, thus the Family Trust, Sovereign Trust International Limited and Jin Jiang Global are each deemed to be interested in the 453,025,800 Shares held by Golden Throat International, which represents 61.28% of the issued share capital of the Company.
- (5) The Senior Management Trust and the Employees Trust were combined on 10 July 2017, and the Employees Trust has been replaced.
- (6) Jin Chen Employee Holdings Limited is the trustee of the Senior Management Trust and holds 100% of issued share capital of Jin Chen Global and Jin Qing Global, which holds, in aggregate, 58,937,400 Shares of the Company. As a result, Jin Chen Employee Holdings Limited is deemed to be interested in 7.97% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2021, the Directors are not aware of any other person (excluding the Directors or the general manager 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.

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

Guangxi, the People's Republic of China, 26 August 2021

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	5	373,290	203,920
Cost of sales		(97,684)	(51,609)
Gross profit		275,606	152,311
Other income and gains	5	20,092	18,580
Selling and distribution expenses		(147,891)	(106,649)
Administrative expenses		(46,658)	(28,956)
Other expenses		(586)	(6,261)
Finance costs		(2,943)	(6,327)
PROFIT BEFORE TAX	6	97,620	22,698
Income tax expense	7	(16,109)	(6,860)
PROFIT FOR THE PERIOD		81,511	15,838
Attributable to:			
Owners of the parent	9	81,511	15,838
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted		RMB11 cents	RMB2 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	81,511	15,838
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	(4,071)	4,298
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(4,071)	4,298
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(4,071)	4,298
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	77,440	20,136
Attributable to:		
Owners of the parent	77,440	20,136

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	453,854	461,460
Advance payments for property plant and equipment		1,389	1,411
Right-of-use assets		54,849	48,808
Deferred tax assets		22,920	17,201
Total non-current assets		533,012	528,880
CURRENT ASSETS			
Inventories		69,990	38,843
Trade and bills receivables	11	290,908	364,067
Prepayments, other receivables and other assets		85,603	47,761
Due from related parties	15(b)(i)	250	–
Financial assets at fair value through profit or loss		121,990	–
Pledged deposits		15,879	–
Cash and cash equivalents		647,630	705,537
Total current assets		1,232,250	1,156,208
CURRENT LIABILITIES			
Trade payables	12	27,428	16,081
Other payables and accruals		225,843	237,980
Interest-bearing bank and other borrowings	13	210,348	152,450
Due to a director	15(b)(ii)	220	222
Due to related parties	15(b)(iii)	861	609
Tax payable		38,483	52,139
Government grants		341	366
Total current liabilities		503,524	459,847
NET CURRENT ASSETS		728,726	696,361
TOTAL ASSETS LESS CURRENT LIABILITIES		1,261,738	1,225,241

Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2021

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	1,261,738	1,225,241
NON-CURRENT LIABILITIES		
Other payables and accruals	604	684
Government grants	474	632
Deferred tax liabilities	–	3,583
Total non-current liabilities	1,078	4,899
Net assets	1,260,660	1,220,342
EQUITY		
Equity attributable to owners of the parent		
Share capital	113	113
Share premium	675,410	675,410
Reserves	585,137	544,819
Total equity	1,260,660	1,220,342

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2021

		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*	Total equity
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)		113	675,410	8,952	204,558	(24)	58,522	272,811	1,220,342
Profit for the period		-	-	-	-	-	-	81,511	81,511
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations		-	-	-	-	-	(4,071)	-	(4,071)
Total comprehensive income for the period		-	-	-	-	-	(4,071)	81,511	77,440
Final 2020 dividend declared		8	-	-	-	-	-	(37,122)	(37,122)
At 30 June 2021 (unaudited)		113	675,410	8,952	204,558	(24)	54,451	317,200	1,260,660

* These reserve accounts comprise the consolidated reserves of RMB585,137,000 in the interim condensed consolidated statement of financial position as at 30 June 2021.

Interim Condensed Consolidated Statement of Changes In Equity (Continued)

For the six months ended 30 June 2021

	Note	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 2020 (audited)		113	675,410	8,952	200,385	(24)	69,292	200,001	1,154,129
Profit for the period		-	-	-	-	-	-	15,838	15,838
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations		-	-	-	-	-	4,298	-	4,298
Total comprehensive income for the period		-	-	-	-	-	4,298	15,838	20,136
Final 2019 dividend declared	8	-	-	-	-	-	-	(80,254)	(80,254)
At 30 June 2020 (unaudited)		113	675,410	8,952	200,385	(24)	73,590	135,585	1,094,011

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		97,620	22,698
Adjustments for:			
Depreciation of property, plant and equipment		16,237	3,827
Depreciation of right-of-use assets		1,731	1,935
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	(381)	(2,033)
Foreign exchange differences, net	5	(3,095)	4,695
Bank interest income	5	(8,427)	(7,646)
Finance costs		2,943	6,327
Impairment of trade receivables, net		36	(182)
Impairment of other receivables, net		(14)	49
Write-down of inventories to net realisable value		2	(143)
		106,469	29,330
Increase in inventories		(31,149)	(33,889)
Decrease in trade and bills receivables		73,123	196,922
Increase in prepayments, other receivables and other assets		(37,871)	(1,887)
Increase in trade payables		11,347	1,411
Increase/(decrease) in other payables and accruals		15,527	(80,335)
Cash generated from operations		137,446	111,552
Interest received		8,470	6,132
Interest paid		(2,943)	(6,327)
Income tax paid		(39,067)	(62,015)
Net cash flows from operating activities		103,906	49,342

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Net cash flows from operating activities	103,906	49,342
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(36,353)	(37,066)
Acquisition of land use rights	(7,902)	–
Purchases of financial assets at fair value through profit or loss	(206,990)	(290,000)
Proceeds from disposal of financial assets at fair value through profit or loss	85,381	292,033
Proceeds from disposal of items of property, plant and equipment	–	160
Net cash flows used in investing activities	(165,864)	(34,873)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	210,348	199,565
Repayment of bank loans	(152,450)	(95,753)
Principal portion of lease payments	–	(191)
Dividends paid to shareholders	(37,122)	(80,254)
(Increase)/decrease in pledged deposits	(15,879)	70,103
Net cash flows from financing activities	4,897	93,470
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(57,061)	107,939
Cash and cash equivalents at beginning of period	705,537	577,333
Effect of foreign exchange rate changes, net	(846)	(685)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	647,630	684,587
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the statement of financial position	647,630	684,587
Cash and cash equivalents as stated in the statement of cash flows	647,630	684,587

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 interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

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 2020, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. The amendment did not have any impact on the financial position and performance of the Group as the Group does not have any Covid-19-Related rent concessions for the period ended 30 June 2021.

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.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue from contracts with customers	373,263	203,894
Revenue from other sources		
Gross rental income	27	26
	373,290	203,920

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

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Other income		
Government grants	6,329	8,885
Bank interest income	8,427	7,646
Investment income from financial assets at fair value through profit or loss	381	2,033
Foreign exchange differences, net	3,095	–
Others	2	2
	18,234	18,566
Gains		
Gain on settlement of litigation	1,858	–
Gain on disposal of items of property, plant and equipment	–	14
	20,092	18,580

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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cost of inventories sold	97,684	51,609
Depreciation of property, plant and equipment	16,237	3,827
Depreciation of right-of-use assets	1,731	1,935
Auditor's remuneration	153	78
Investment income from financial assets at fair value through profit or loss	(381)	(2,033)
Bank interest income	(8,427)	(7,646)
Foreign exchange differences, net	(3,095)	4,695
Gain on disposal of items of property, plant and equipment	–	(14)
Write-down of inventories to net realisable value	2	(143)

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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current tax:		
Charge for the period	23,188	14,161
Deferred tax	(7,079)	(7,301)
Total tax charge for the period	16,109	6,860

Notes To The Interim Condensed Consolidated Financial Information (Continued)

8. DIVIDENDS

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Final declared and paid – HK\$0.06 (2020: HK\$0.12) per ordinary share	37,122	80,254

The Board did not declare any interim dividend for the six months ended 30 June 2021 (the six months ended 30 June 2020: 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 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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Earnings Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	81,511	15,838

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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

	Number of shares For the six months ended 30 June	
	2021 (Unaudited)	2020 (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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Carrying amount at beginning of period/year	461,460	412,292
Additions	8,631	77,516
Depreciation provided during the period/year	(16,237)	(28,147)
Disposals	-	(201)
Carrying amount at end of period/year	453,854	461,460

Notes To The Interim Condensed Consolidated Financial Information (Continued)

11. TRADE AND BILLS RECEIVABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade receivables	34,364	40,873
Bills receivable	257,605	324,219
	291,969	365,092
Impairment	(1,061)	(1,025)
	290,908	364,067

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 2021, bills receivable of RMB257,605,000 (31 December 2020: RMB324,219,000) 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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Less than 3 months	17,737	34,904
3 to 6 months	8,118	2,493
6 to 12 months	4,603	1,553
1 to 2 years	2,288	546
Over 2 years	557	352
	33,303	39,848

Notes To The Interim Condensed Consolidated Financial Information (Continued)

12. TRADE PAYABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade payables	27,428	16,081

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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Less than 3 months	22,456	12,656
3 to 6 months	567	1,627
6 to 12 months	2,761	612
1 to 2 years	489	27
Over 2 years	1,155	1,159
	27,428	16,081

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

Notes To The Interim Condensed Consolidated Financial Information (Continued)

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Current				
Bank loans – secured	1.65-4.35	Within 1 year	130,348	–
Bank loans – secured	2.65-4.35	Within 1 year	–	72,450
Bank loans – unsecured	3.85	Within 1 year	80,000	–
Bank loans – unsecured	4.35	Within 1 year	–	80,000
			210,348	152,450
Analysed into:				
Bank loans repayable:				
Within one year or on demand			210,348	152,450

Notes:

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

- (i) pledge of the Group's bills and deposits amounting to RMB64,110,000 (31 December 2020: Nil);
- (ii) mortgages over certain of the Group's leasehold lands which had an aggregate net carrying value at the end of the reporting period of approximately RMB17,968,000 (31 December 2020: RMB14,037,000); and
- (iii) mortgages over certain of the Group's buildings which had an aggregate net carrying value at the end of the reporting period of approximately RMB3,582,000 (31 December 2020: RMB1,257,000).

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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Contracted, but not provided for:		
Buildings	1,110	23,616
Plant and machinery	4,065	3,607
	5,175	27,223

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:

	Note	For the six months ended 30 June 2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
An entity ultimately controlled by a director			
Guangxi Changbao Biological Technology Co., Ltd. ("Changbao")			
Purchases of products	(i)	4,618	1,482

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.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

- (i) The Group had an outstanding balance due from related parties of RMB250,000 (31 December 2020: Nil) as at 30 June 2021. The outstanding balance is unsecured, non-interest-bearing and payable on demand.
- (ii) The Group had an outstanding balance due to a director of RMB220,000 (31 December 2020: RMB222,000) as at 30 June 2021. The balance is unsecured, non-interest-bearing and repayable on demand.
- (iii) The Group had an outstanding balance due to related parties of RMB861,000 (31 December 2020: RMB609,000) as at 30 June 2021. The outstanding balance is unsecured, non-interest-bearing and payable on demand.
- (iv) Included in the trade payables are trade payables of RMB52,000 (31 December 2020: RMB595,000) due to a related party controlled by a director of the Group which are repayable within 30 days, which represents credit terms similar to those offered by the related party to its major customers.

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Short-term employee benefits	5,909	5,842
Pension scheme contributions	287	146
Total compensation paid to key management personnel	6,196	5,988

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 related parties, trade payables, financial liabilities included in other payables and accruals and amounts due to a director and related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fixed interest 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 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.

The Group invests in unlisted investments, which represent certain financial products (wealth management products, in particular) issued by commercial banks. The Group has estimated the fair value of the wealth management product by using the valuation technique based on the sum of the principal and interest receivable.

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 2021 (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	-	121,990	-	121,990
Bills receivable	-	257,605	-	257,605
	-	379,595	-	379,595

As at 31 December 2020 (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	
Bills receivable	-	324,219	-	324,219

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 (31 December 2020: Nil).

During the six months ended 30 June 2021, 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 2020: Nil).