GOLDEN THROAT HOLDINGS GROUP COMPANY LIMITED
金嗓子控股集團有限公司

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

(Stock Code: 6896)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS FOR 2017

- Revenue decreased by RMB144.1 million or 18.8% to RMB624.1 million, as compared to the year ended 31 December 2016.
- Gross profit decreased by RMB119.3 million or 21.5% to RMB435.6 million, as compared to the year ended 31 December 2016, and gross profit margin reached 69.8%.
- Earnings before interest, taxes, depreciation and amortisation decreased by RMB82.9 million or 43.8% to RMB106.2 million, as compared to the year ended 31 December 2016.
- Profit attributable to equity holders decreased by RMB41.5 million or 40.3% to RMB61.4 million, as compared to the year ended 31 December 2016.
- The Board recommends the payment of a final dividend of HK$0.06 per share for the year ended 31 December 2017 to the shareholders of the Company. The final dividend is subject to the approval of shareholders of the Company at the forthcoming annual general meeting and, if approved, will be payable on or before 7 June 2018.

RESULTS

The board (the "**Board**") of directors (the "**Director**") of Golden Throat Holdings Group Company Limited is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2017, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
REVENUE	*5*	**624,084**	768,171
Cost of sales		**(188,495)**	(213,231)
Gross profit		**435,589**	554,940
Other income and gains	*5*	**27,024**	30,302
Selling and distribution expenses		**(305,546)**	(319,034)
Administrative expenses		**(56,225)**	(69,190)
Other expenses		**(1,876)**	(14,445)
Finance costs	*7*	**(4,766)**	(7,272)
PROFIT BEFORE TAX	*6*	**94,200**	175,301
Income tax expense	*8*	**(32,820)**	(72,389)
PROFIT FOR THE YEAR		**61,380**	102,912
Attributable to:			
Owners of the parent		**61,380**	102,912
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year	*10*	**RMB8.30 cents**	RMB13.77 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**61,380**	102,912
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	(10,772)
Reclassification adjustments for losses included in the consolidated statement of profit or loss	**10,714**	–
	10,714	(10,772)
Exchange differences:		
Exchange differences on translation of foreign operations	**(37,640)**	39,484
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(26,926)**	28,712
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(26,926)**	28,712
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**34,454**	131,624
Attributable to:		
Owners of the parent	**34,454**	131,624

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**107,331**	55,621
Advance payments for property, plant and equipment		**15,069**	452
Prepaid land lease payments		**38,812**	39,815
Prepayments, deposits and other receivables		**18,747**	26,764
Deferred tax assets		**13,212**	13,918
Total non-current assets		**193,171**	136,570
CURRENT ASSETS			
Inventories		**43,433**	42,623
Trade and bills receivables	*11*	**446,358**	475,733
Prepayments, deposits and other receivables		**65,375**	84,200
Due from related parties		**3,542**	3,705
Available-for-sale investments	*12*	**24**	314,985
Cash and cash equivalents		**610,242**	374,596
Total current assets		**1,168,974**	1,295,842
CURRENT LIABILITIES			
Trade payables	*13*	**20,964**	15,155
Other payables and accruals		**214,287**	235,557
Interest-bearing bank borrowings	*14*	**86,000**	66,000
Due to a director		**221**	236
Tax payable		**51,886**	80,902
Government grants		**366**	366
Dividend payable		**37,079**	39,679
Total current liabilities		**410,803**	437,895
NET CURRENT ASSETS		**758,171**	857,947
TOTAL ASSETS LESS CURRENT LIABILITIES		**951,342**	994,517

	2017	2016
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Other payables and accruals	**1,064**	1,234
Government grants	**1,730**	2,096
Deferred tax liabilities	**4,095**	4,430
Total non-current liabilities	**6,889**	7,760
Net assets	**944,453**	986,757
EQUITY		
Equity attributable to owners of the parent		
Share capital	**113**	113
Share premium	**675,410**	675,410
Reserves	**268,930**	311,234
Total equity	**944,453**	986,757

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 2 September 2014. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Group was 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.

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

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.

Geographical information

During the year, 98.8% of the Group's revenue was generated from customers located in Mainland China and all of the non-current assets of the Group was located in Mainland China.

Information about major customer

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue during the year (2016: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**624,084**	768,171
Other income		
Government grants	**10,735**	13,186
Bank interest income	**4,074**	3,410
Investment income from available-for-sale investments	**–**	13,559
Rental income	**–**	11
Others	**393**	136
	15,202	30,302
Gains		
Exchange gains, net	**11,822**	–
	27,024	30,302

6. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**188,495**	213,231
Depreciation of items of property, plant and equipment	**6,215**	5,482
Amortisation of land lease payments	**1,003**	1,003
Research and development costs	**2,089**	1,724
Minimum lease payments under operating leases	**3,193**	2,547
Auditor's remuneration	**2,068**	1,976
Government grants	**(10,735)**	(13,186)
Bank interest income	**(4,074)**	(3,410)
Investment losses/(income) from available-for-sale investments	**1,260**	(13,559)
Rental income	**–**	(11)
Exchange (gains)/losses, net	**(11,822)**	11,131
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**47,591**	55,231
Pension scheme contributions	**8,367**	10,020
Staff welfare expenses	**11,683**	15,234
	67,641	80,485
Loss on disposal of items of property, plant and equipment	**8**	12
Donation	**13**	165
(Reversal of impairment)/impairment of trade receivables	**(11)**	124
(Reversal of impairment)/impairment of other receivables	**(56)**	2,004
Write-down of inventories to net realisable value	**8,935**	125

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans	**4,766**	7,272

8. INCOME TAX

The income tax expense of the Group for the years ended 31 December 2017 and 2016 is analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**24,582**	60,420
Deferred tax	**8,238**	11,969
Total tax charge for the year	**32,820**	72,389

9. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Interim		
- HK6 cents (2016: HK6 cents) per ordinary share	**38,074**	39,317
Proposed final		
- HK6 cents (2016: HK6 cents) per ordinary share	**37,079**	39,679
	75,153	78,996

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 739,302,000 (2016: 747,505,623) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

The calculation of basic earnings per share is based on:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**61,380**	102,912

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year	**739,302,000**	747,505,623

11. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**54,156**	148,324
Bills receivable	**393,137**	328,355
	447,293	476,679
Impairment	**(935)**	(946)
	446,358	475,733

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.

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

	2017	2016
	RMB'000	*RMB'000*
Less than 3 months	**41,595**	138,013
3 to 6 months	**2,944**	3,422
6 to 12 months	**2,097**	5,753
1 to 2 years	**6,411**	149
Over 2 years	**174**	41
	53,221	147,378

12. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	RMB'000	*RMB'000*
Listed equity investments, at fair value *(note a)*	**24**	27
Corporate bonds and notes, at fair value	**–**	314,958
	24	314,985

Note:

(a) Listed equity investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

13. TRADE PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**20,964**	15,155

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

	2017	2016
	RMB'000	*RMB'000*
Less than 3 months	**15,558**	3,921
3 to 6 months	**3,263**	6,537
6 to 12 months	**913**	3,395
1 to 2 years	**17**	35
Over 2 years	**1,213**	1,267
	20,964	15,155

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

14. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2017 RMB'000	2016 RMB'000
Current				
Bank loans – secured	4.35	Within 1 year	**56,000**	36,000
Bank loans – unsecured	4.35	Within 1 year	**30,000**	30,000
			86,000	66,000
Analysed into:				
Bank loans repayable:				
Within one year or on demand			**86,000**	66,000

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's leasehold lands, which had an aggregate net carrying value at the end of the reporting period of approximately RMB36,446,000 (2016: RMB16,698,000); 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 RMB1,429,000 (2016: RMB1,573,000).

A director of the Company, Jiang Peizhen, has guaranteed certain bank loans made to the Group of up to RMB20,000,000 (2016: Nil) as at the end of the reporting period.

15. CONTINGENT LIABILITIES

The Group is currently a defendant in some lawsuit as following:

(a) The subsidiaries of the Group are currently defendants in a lawsuit brought by, a media company, Xingkong Huawen International Media, alleging that the subsidiaries breached the contract by delaying the payment of advertising fee. The estimated claims of the advertising fee and late charges for the overdue payment are RMB67,000,000 and RMB1,703,200, respectively. The Group recognised a liability of RMB50,750,000 as at 31 December 2017. A trial date has not yet been set. Therefore, it is not practicable to state the timing of the payment, if any. The directors, based on the advice from the Group's PRC legal counsel and the current circumstances known to them, have grounds to believe that the subsidiaries have a valid defence against the allegation and have sufficient grounds to succeed should the claim proceed to court. Accordingly, no additional provision arising from the claim other than the above has been provided for.

(b) A subsidiary of the Group is currently a defendant in a lawsuit brought by a promotion service provider, Beijing Haitian Net Company, alleging that the subsidiary breached the contract by delaying the payment of promotion fee charged for the marketing and promotion services provided to the Group. The estimated claims of late charges and legal fee are RMB2,137,998 and RMB80,000, respectively. A trial date has not yet been set. Therefore, it is not practicable to state the timing of the payment, if any. The directors, based on the advice from the Group's PRC legal counsel and the current circumstances known to them, have grounds to believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation.

(c) On 6 December 2017, an exclusively distributor of herbal vegetable beverages, Qi Feng Food Science and Technology (Beijing) Co., Ltd. ("Qi Feng"), filed an arbitration action against the subsidiaries of the Group and Zhuhai Haode Investment Consulting Co., Ltd. ("Zhuhai Haoda"). The arbitration action seeks orders that (i) the non-executed investment agreement signed among the parties be terminated; (ii) the defendants return the investment fund of RMB7,146,602 and pay a compensation fee at 4.75% annual interest on the investment fund starting from 12 June 2016; (iii) the subsidiaries pay the related fee for the promotion of goods of RMB8,441,340; and (iv) the subsidiaries pay a compensation fee of RMB38,767,882 for breach of the distribution agreement. The Group recognised a liability of RMB8,441,340 as at 31 December 2017. The directors, based on the advice from the Group's PRC legal counsel and the current circumstances known to them, have grounds to believe that the subsidiaries have a valid defence against the allegation and, accordingly, no additional provision for any claim arising from the arbitration other than the above has been provided for.

(d) On 25 January 2018, Qi Feng filed an arbitration action against the subsidiary of the Group. The arbitration seeks orders that (i) the distribution agreement signed on 1 March 2016 be terminated; (ii) the subsidiary pay the marketing and promotion fee of RMB13,860,000 which was paid on behalf of the subsidiary by Qi Feng; (iii) the subsidiary pay a compensation fee of RMB5,000,000 and the related legal fee for breach of the distribution agreement. The directors, based on the advice from the Group's PRC legal counsel and the current circumstances known to them, have grounds to believe that the subsidiary has a valid defence against the allegation and, accordingly, has not provided for any claim arising from the arbitration.

16. EVENTS AFTER THE REPORTING PERIOD

(a) The Board proposed a final dividend of HK$0.06 per ordinary share totalling HK$44,358,000 to the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as of 29 March 2018 (being the date of this announcement). It should be read in conjunction with the audited consolidated financial statements and notes thereto of the Group for the year ended 31 December 2017.

"Audit Committee"	the audit committee of the Board, established on 13 February 2015
"Board"	the board of Directors of the Company
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局)
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"CNMA"	China Nonprescription Medicines Association (中國非處方藥物協會)
"Company", "we", "us" and "our"	Golden Throat Holdings Group Company Limited (金嗓子控股集團有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 2 September 2014
"Director(s)"	director(s) of the Company
"Framework Agreement"	a framework agreement on strategic cooperation dated 15 February 2016 entered into between the Company and Jointown
"Golden Throat Company" or "Guangxi Golden Throat"	廣西金嗓子有限責任公司 (Guangxi Golden Throat Co., Ltd.), a company with limited liability established in China on 18 September 1998 and an indirect wholly-owned subsidiary of the Company
"Golden Throat Import & Export Company"	廣西金嗓子進出口貿易有限公司 (Guangxi Golden Throat Import & Export Trading Co., Ltd.*), a company with limited liability established in China on 31 March 2016 and a wholly-owned subsidiary of Guangxi Golden Throat
"Golden Throat Lozenges (OTC)"	金嗓子喉片, one of the Group's key products and approved as a type of over-the-counter medicine
"Golden Throat Lozenge Series Products"	金嗓子喉寶系列產品, one of the Group's key products and approved as food products

"Golden Throat Herbal Vegetable Beverages Series Products" or "Herbal Vegetable Beverages"	金嗓子草本植物飲料系列產品, a series type of the Group's pipeline products and approved as a type of food
"Group"	the Company and its subsidiaries
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IPO Proceeds"	the net proceeds from the Listing
"Jointown"	九州通醫藥集團股份有限公司 (Jointown Pharmaceutical Group Co., Ltd.), a company listed on the Shanghai Stock Exchange (stock code: 600998) and an independent third party of the Group
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"OTC"	pharmaceutical products which may, upon receiving the CFDA approval, be sold over the counter in China at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner
"PRC" or "China"	the People's Republic of China, for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus of the Company dated 30 June 2015 in respect of the global offering of its shares
"RMB"	Renminbi, the lawful currency of the PRC
"R&D"	research and development
"Shareholder"	a holder of any Share(s)
"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

BUSINESS REVIEW

The Group is a leading manufacturer of lozenges in China. In December 2017, the Group's flagship product, Golden Throat Lozenges (OTC) was awarded No. 1 amongst Chinese traditional medicines (Throat) in 2017 by CNMA. In November 2017, "Golden Throat (金嗓子)" brand was selected as a world famous brand by the China America Branding Strategy Forum and was ranked amongst the Best Listed Companies Category on the Forbes China Up-and-Comers List. Currently, the Group has developed into a comprehensive modern group mainly engaging in the manufacture and sale of lozenges and other pharmaceutical and food products.

Key Products

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

For the year ended 31 December 2017, the Group's revenue decreased by 18.8% as compared to the corresponding period in 2016.

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

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

As of 31 December 2017, Golden Throat Lozenges (OTC) has been exported to the United States, Canada, Russia, the European Union, Australia, Southeast Asia, Middle East, Mexico, Peru and Africa, with export coverage in five continents across the world.

For the year ended 31 December 2017, the Group's revenue of Golden Throat Lozenges (OTC) accounted for 89.0% 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 are approved as food products. The sugar-free series of Golden Throat Lozenge Series Products was launched in 2013, which supplements the Group's original channel and provides consumers with more diversified choices in response to consumer group differentiation.

As of 31 December 2017, Golden Throat Lozenge Series Products were exported to eight countries and regions.

For the year ended 31 December 2017, the Group's sales of Golden Throat Lozenge Series Products accounted for 8.3% of the Group's total revenue.

Other Products

Sales of the Group's other products accounted for 2.7% of the Group's revenue for the year ended 31 December 2017. 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 CFDA, 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, 8 are pharmaceutical products (including Jinyin Sanqi Capsule (金銀三七膠囊)), 21 are food products, one is a health food product and one is 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 of 31 December 2017, the Group's research and development team consists of approximately 280 people.

The Group will continue its co-operation with external institutions in product research, development and commercialisation with the aim to improving production quality and efficiency. The Group intends to incur an aggregate of approximately RMB60.0 million on research and development activities in the future. For the year ended 31 December 2017, the Group has incurred RMB2.1 million on research and development activities.

PIPELINE PRODUCTS

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

Sales, Marketing and Distribution

Branding

The Group believes that strong brand recognition and customer loyalty are key to the recognition of the "Golden Throat (金嗓子)" brand. The Group's principal brand, "Golden Throat (金嗓子)" was awarded "Brand China – Huapu Award" (品牌中國－華譜獎) by Brand China Industry Union and China Chamber of International Commerce in 2011 and "CCTV China Annual Brand" (中央電視台中國年度品牌) by CCTV in 2012. In December 2017, the Group's flagship product, Golden Throat Lozenges (OTC) was awarded No. 1 amongst Chinese traditional medicines (Throat) in 2017 by CNMA. In November 2017, "Golden Throat (金嗓子)" brand was selected as a world famous brand by the China America Branding Strategy Forum and was ranked amongst the Best Listed Companies Category on the Forbes China Up-and-Comers List.

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 and medical apparatus. During the year ended 31 December 2017, substantially all of the Group's revenue was generated from sales to distributors.

As of 31 December 2017, the Group's distribution network had no substantial change, with over 280 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, communication with its customers and monitoring of the activities of its distributors. In 2018, the Group will conduct reshaping of the sales system. After reorganisation of the Group's distribution network by distribution areas, the number of secondary agents will increase.

As mentioned above, the Group also has a presence in various overseas markets for its products, including the United States, Canada, Russia, the European Union, Australia, Southeast Asia, Middle East, Mexico, Peru and Africa, with export coverage in five continents across 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 have exported to eight countries, except Vietnam and Laos. The Group has also sold its products to the overseas markets through Golden Throat Import & Export Company and local distributors.

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

The above is a summary of the Group's distribution network. For further details, please refer to the section headed "Business – Distribution Network and Infrastructure" in the Prospectus.

Promoters

As of 31 December 2017, the Group has entered into products promotion cooperation agreements with 11 promoters. The primary reasons for engaging the promoters in certain regions are: (i) their knowledge of local markets and substantial experience in promoting products; and (ii) their familiarity with local municipal level agents and that the Group benefits from their facilitation and ongoing feedback of such local markets.

Market Review

In recent years, the PRC's nominal gross domestic product ("GDP") has grown steadily. With the growth of China's economy and increase of people's disposable income, as well as the increasing public focus on health, the pharmaceutical and lozenge market in China is expected to continue growing rapidly in the foreseeable future.

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 drives consumers to treat themselves at home by purchasing OTC medicines when they encounter common ailments or chronic diseases.

After the implementation of "two-invoice system" for the pharmaceutical industry in China, it requires the industry to strictly execute the unified management of purchase, sales and stock, and sell goods with invoice. This not only increases the operating cost of the pharmaceutical industry, which in turn requires pharmaceutical factories in the industry to bear the distribution cost of pharmaceutical products and earn more profit for drug sales, but at the same time causes the original marketing system no longer be able to adapt to new trend.

In this regard, the Group has adjusted its operation policy to roll out a pilot project in three regions including Hebei, Taihe, Anhui and Guangdong in 2017, which mainly consists of (i) re-selection of primary distributors and sub-distributors, and (ii) price management and control for primary distributors, sub-distributors and terminal providers. The objective is to expand channels and increase types, number and profit of drugs to be sold, which aims to improve the distribution system.

Future Expansion and Upgrading Plan

For 2018, the Group will continue to strengthen its leading position in the lozenge market and continue to expand its market share in the PRC pharmaceutical and food products markets.

The Group has commenced its strategic expansion into new geographic markets such as Qinghai, Jilin and Inner Mongolia through the establishment of its refined distribution network back in 2013 and will continue both 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 2017, the Group plans to complete the restructuring in respect of channel and price in the first half of 2018, so as to form a more comprehensive and efficient distribution system.

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

The Group also intends to increase its production capacity by constructing a new production base to meet the market demand for its Golden Throat Lozenges (OTC). The Group has acquired a new plot of land in Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region for the purpose of constructing a new medicines production and research and development base. As of the end of 2017, all major plants and workshops of new medicines production and research and development base has completed the main external structures and has entered into the phase of interior decoration. However, the construction of some of the auxiliary facilities has not been commenced as they are still pending for approval. It is planned that the main buildings will be relocated at the end of 2018. After the expansion, the Group expects to have an increase in its annual production capacity of Golden Throat Lozenges (OTC), representing an increase of approximately 57% of the current capacity.

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

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group's revenue amounted to approximately RMB624.1 million, as compared to RMB768.2 million for the year ended 31 December 2016, representing a decrease of approximately RMB144.1 million, or 18.8%. The decrease is mainly attributable to the decrease in sales of Golden Throat Lozenges (OTC) products, Golden Throat Lozenges Series Products and other products.

For the year ended 31 December 2017, the Group's revenue from sales of Golden Throat Lozenges (OTC) decreased to RMB555.5 million, as compared to RMB668.7 million for the year ended 31 December 2016, representing a decrease of approximately RMB113.2 million, or 16.9%, primarily attributable to the fact that currently, the policy of "two-invoice system" is implemented for the pharmaceutical industry in China and the existing three-tier distribution system of the Group is no longer applicable under this system. In the second half of the year, the Group adjusted its operational policy and the structure of distributors and promoters. The Group rolled out pilot project in certain provinces and cities with an aim to restructuring and adjusting its channel and price, which has resulted in short-term negative impact on the Group's revenue from sales.

For the year ended 31 December 2017, the Group's revenue from sales of Golden Throat Lozenge Series Products decreased to RMB51.7 million, as compared to RMB55.0 million for the year ended 31 December 2016, representing a decrease of approximately RMB3.3 million, or 6.0%, primarily because of the decrease in sales volume of Golden Throat Lozenge Series Products.

For the year ended 31 December 2017, the Group's revenue from sales of other products decreased to RMB16.9 million, as compared to RMB44.5 million for the year ended 31 December 2016, representing a decrease of approximately RMB27.6 million, or 62.0%. This was due to the decrease in sales of the Group's Herbal Vegetable Beverages in 2017.

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.

	Year ended 31 December 2017					
	Sales Volume	**Revenue**	**Cost**	**Gross margin**	**Unit price**	**Unit cost**
	boxes'000	***RMB'000***	***RMB'000***	***%***	***RMB***	***RMB***
Golden Throat Lozenges (OTC)	**100,527**	**555,479**	**142,880**	**74.3**	**5.5**	**1.4**
Golden Throat Lozenge Series Products	**10,517**	**51,714**	**21,497**	**58.4**	**4.9**	**2.0**

	Year ended 31 December 2016					
	Sales Volume	Revenue	Cost	Gross margin	Unit price	Unit cost
	boxes'000	*RMB'000*	*RMB'000*	*%*	*RMB*	*RMB*
Golden Throat Lozenges (OTC)	123,700	668,725	157,981	76.4	5.4	1.3
Golden Throat Lozenge Series Products	12,425	54,964	22,110	59.8	4.4	1.8

Cost of Sales

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

The Group's cost of sales decreased from approximately RMB213.2 million for the year ended 31 December 2016 to approximately RMB188.5 million for the year ended 31 December 2017, which accounted for approximately 30.2% of the Group's total revenue for the same period. The decrease in the Group's cost of sales was primarily due to the decrease in sales volume of Golden Throat Lozenges (OTC).

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

	Year ended 31 December 2017		Year ended 31 December 2016	
	RMB'000	***% of total***	*RMB'000*	*% of total*
Packaging materials	**78,308**	**41.5%**	89,794	42.1%
Raw materials	**42,976**	**22.8%**	42,642	20.0%
Labor costs	**41,532**	**22.0%**	50,755	23.8%
Depreciation	**4,891**	**2.6%**	4,308	2.0%
Commission processing fee	**540**	**0.3%**	3,047	1.4%
Write-down of inventories to net realisable value	**8,935**	**4.7%**	125	0.1%
Other costs	**11,313**	**6.1%**	22,560	10.6%
Total	**188,495**	**100%**	213,231	100%

Gross Profit

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

For the year ended 31 December 2017, the Group's gross profit decreased to RMB435.6 million, as compared to RMB554.9 million for the year ended 31 December 2016, representing a decrease of approximately RMB119.3 million, or 21.5%. The decrease in the Group's gross profit was mainly due to the decrease in revenue. The Group's gross profit margin decreased to 69.8% for the year ended 31 December 2017 from 72.2% for the corresponding period of 2016.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, bank interest income and net exchange gains. For the year ended 31 December 2017, the Group's other income and gains decreased to RMB27.0 million, as compared to RMB30.3 million for the year ended 31 December 2016, representing a decrease of approximately RMB3.3 million. The decrease was mainly due to the fact that no income arising from investments in bonds was recorded for the year and the disposal of bonds resulted in an investment loss.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of (i) advertising expenses, (ii) promotion expenses, (iii) transportation expenses, (iv) employee benefit expenses, (v) travel and office expenses, (vi) marketing expenses; and (vii) other miscellaneous expenses. For the year ended 31 December 2017, the Group's selling and distribution expenses amounted to approximately RMB305.5 million, as compared to RMB319.0 million for the year ended 31 December 2016, representing a decrease of approximately RMB13.5 million, or 4.2%. The decrease was mainly due to the decrease in the Group's advertising expenses of Herbal Vegetable Beverages for the year.

Administrative Expenses

The Group's administrative expenses primarily consisted of (i) salary and welfare expenses for management and administrative personnel, (ii) travel and office expenses, (iii) research and development costs, (iv) depreciation and amortisation costs relating to its office equipment, (v) amortisation of land use rights, (vi) professional services fees incurred for legal, tax and other services; and (vii) other miscellaneous expenses. For the year ended 31 December 2017, the Group's administrative expenses amounted to approximately RMB56.2 million, as compared to RMB69.2 million for the year ended 31 December 2016, representing a decrease of approximately RMB13.0 million, or 18.8%. The decrease was mainly due to the decrease in the Group's consultation fee as compared to 2016, as well as the decrease in salaries of management and administrative staff for the year.

Other Expenses

The Group's other expenses primarily consisted of (i) investment loss on disposal of bonds; and (ii) write off of raw materials. For the year ended 31 December 2017, the Group's other expenses amounted to approximately RMB1.9 million, as compared to RMB14.4 million for the year ended 31 December 2016, representing a decrease of approximately RMB12.5 million or 86.8%. The decrease was mainly due to exchange gains arising from the effect of the Group's exchange rate fluctuations for the year, as opposed to exchange losses arising from the effect of exchange rate fluctuations for 2016.

Finance Costs

For the year ended 31 December 2017, the Group's finance costs amounted to RMB4.8 million, as compared to RMB7.3 million for the year ended 31 December 2016, representing a decrease of approximately RMB2.5 million or 34.3%. The decrease was mainly due to the reduction in average interest-bearing bank borrowings and the fall of interest rate as compared to 2016.

Income Tax Expense

For the year ended 31 December 2017, the Group's income tax expense amounted to RMB32.8 million, as compared to RMB72.4 million for the year ended 31 December 2016, representing a decrease of RMB39.6 million or 54.7%. The effective tax rate for the year ended 31 December 2017 and the corresponding period of 2016 was 34.8% and 41.3% respectively. The decrease in income tax expense was mainly due to the decrease in total profit for the year, and the decrease in effective tax rate was mainly attributable to the fact that the Group enjoys the new tax preferential policy for pre-tax deduction of advertising expenses and business promotion expenses of pharmaceutical manufacturers, which was launched in May 2017.

Net Profit

The Group's net profit for the year ended 31 December 2017 was approximately RMB61.4 million, as compared to RMB102.9 million for the year ended 31 December 2016, representing a decrease of approximately RMB41.5 million or 40.3%. The decrease in net profit of the Group was mainly due to the decrease in revenue. For the reasons for decrease in revenue, please refer to the section headed "Revenue" above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As of 31 December 2017, the Group had net current assets of approximately RMB758.2 million, as compared to RMB857.9 million as of 31 December 2016. The current ratio of the Group decreased to approximately 2.8 as of 31 December 2017 from 3.0 as of 31 December 2016. The decrease in net current assets was mainly attributable to the increase in the Group's capital used in the construction of Luowei base for the year.

Borrowings and the Pledge of Assets

As of 31 December 2017, the Group had aggregate interest-bearing bank borrowings of approximately RMB86.0 million, as compared to approximately RMB66.0 million as of 31 December 2016. All the bank borrowings are repayable within one year. As of 31 December 2017, the bank borrowings were made up of bank loans.

All of the Group's bank borrowings for the year ended 31 December 2017 were at fixed interest rates. For details of such borrowings, please refer to Note 14 of the Group's financial statements above.

The Group continues to manage its balance sheet and capital structure with a solid equity base, adequate working capital and credit facilities. The Group has 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.

Certain of the Group's leasehold lands with an aggregate net carrying value of RMB36.4 million were pledged to secure bank loans as of 31 December 2017, as compared to RMB16.7 million as of 31 December 2016.

Certain of the Group's buildings with an aggregate net carrying value of RMB1.4 million were pledged to secure bank loans as of 31 December 2017, as compared to RMB1.6 million as of 31 December 2016.

Gearing Ratio

As of 31 December 2017, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to approximately 9.1% from approximately 6.7% as of 31 December 2016. The increase was primarily attributable to the increase in the Group's bank borrowings from RMB66.0 million as of 31 December 2016 to RMB86.0 million as of 31 December 2017 and the decrease in total equity from RMB986.8 million as of 31 December 2016 to RMB944.5 million as of 31 December 2017.

Contingent Liabilities

For details of the contingent liabilities of the Group as at 31 December 2017, please refer to Note 15 of the Group's consolidated financial statements above.

Foreign Exchange Risk

The Group's transactions are mainly denominated and settled in RMB. The Group had certain amounts of deposits and available-for-sale investments in HKD and USD, amounting to HK$389.0 million and US$3.5 million as of 31 December 2017, respectively. Therefore, the Group has exposure to foreign exchange risk that may arise from fluctuations in the exchange rates of HKD to RMB and USD to RMB.

Since March 2016, the Group has commenced purchasing USD-denominated corporate bonds and notes. As of 31 December 2016, the balance of corporate bonds and notes amounted to US$45.4 million. As of 31 December 2017, the Company had no balance of the bonds and notes.

For the year ended 31 December 2017, the Group had not used any financial instruments to hedge its foreign exchange risk.

EMPLOYEES AND EMOLUMENTS POLICY

As of 31 December 2017, the Group employed a total of 970 full-time employees, as compared to a total of 1,005 full-time employees as of 31 December 2016. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB60.9 million for the year ended 31 December 2017 as compared to RMB65.5 million for the corresponding period in 2016. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end bonuses are offered to those staffs with outstanding performances to attract and retain capable employees of the Group.

SIGNIFICANT INVESTMENTS HELD

For the year ended 31 December 2017, the Group did not have any significant investments nor did it make any material acquisitions or disposals of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2017, the Group committed to invest approximately RMB32.3 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. Save as mentioned above, the Group currently does not have other plans for material investments or capital assets.

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, at the same time enhancing its brand recognition through effective and targeted marketing. Furthermore, the Group will continue to expand its distribution network, refine associated infrastructure and leverage on existing distribution network to market different products.

USE OF NET PROCEEDS FROM LISTING

The IPO Proceeds (including those shares issued pursuant to the partial exercise of the over-allotment options), 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 at 31 December 2017, there was no change to the intended use of the IPO Proceeds as disclosed in the Prospectus.

As at 31 December 2017, the Group had utilised approximately HK$490.18 million, representing approximately 53.89% of the IPO Proceeds. Set out below is a summary of the utilisation of the IPO Proceeds:

Use of IPO Proceeds

	Utilised	
		% of
	HK$'000	*IPO Proceeds*
Construction in Luowei Industrial Concentration Area	106,778	11.74
Conversion of headquarters	–	–
Market expansion	278,820	30.65
Product development	9,022	0.99
Establishment of Chinese herbs processing base	–	–
Refinement and Upgrade of electronic code system	4,596	0.51
General working capital	90,960	10.00

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.06 per share for the year ended 31 December 2017 to the Shareholders of the Company. The final dividend is subject to the approval of Shareholders of the Company at the forthcoming annual general meeting (the "Annual General Meeting") to be held on 17 May 2018 and, if approved, will be payable on or before 7 June 2018 to the Shareholders whose names appear on the register of members of the Company on 24 May 2018.

ARRANGEMENT FOR CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 14 May 2018 to 17 May 2018, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 11 May 2018.

The transfer books and register of members of the Company will also be closed on 24 May 2018, during which period no transfer of Shares can be registered. In order to be entitled to the payment of final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 May 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance.

Except as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code for the year ended 31 December 2017.

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 or explain the reason for not doing so. 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 the Directors have complied with the required standards set out in the Model Code for the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the Board the accounting principles and policies adopted by the Group, the annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2017. The Audit Committee has also reviewed the effectiveness of the Group's risk management and internal control systems and considers such systems in place to be effective and adequate.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2017 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.goldenthroat.com), and the annual report for the year ended 31 December 2017 containing all the information required by the Listing Rules will be despatched to the Shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Guangxi, the PRC, 29 March 2018

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.