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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 2018 AND CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

FINANCIAL HIGHLIGHTS FOR 2018

- Revenue increased by RMB70.1 million or 11.2% to RMB694.2 million, as compared to the year ended 31 December 2017.
- Gross profit increased by RMB80.9 million or 18.6% to RMB516.5 million, as compared to the year ended 31 December 2017, and gross profit margin reached 74.4%.
- Earnings before interest, taxes, depreciation and amortisation increased by RMB54.7 million or 51.5% to RMB160.9 million, as compared to the year ended 31 December 2017.
- Profit attributable to equity holders increased by RMB40.8 million or 66.4% to RMB102.2 million, as compared to the year ended 31 December 2017.
- The Board recommends the payment of a final dividend of HK$0.12 per share for the year ended 31 December 2018 to the Shareholders. The final dividend is subject to the approval of Shareholders at the forthcoming annual general meeting of the Company and, if approved, will be paid on or before 28 June 2019.

RESULTS

The board of directors 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 2018 together with the comparative audited figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**694,194**	624,084
Cost of sales		**(177,679)**	(188,495)
Gross profit		**516,515**	435,589
Other income and gains	5	**24,254**	27,024
Selling and distribution expenses		**(290,027)**	(305,546)
Administrative expenses		**(65,877)**	(56,225)
Other expenses		**(30,242)**	(1,876)
Finance costs	7	**(5,169)**	(4,766)
PROFIT BEFORE TAX	6	**149,454**	94,200
Income tax expense	8	**(47,268)**	(32,820)
PROFIT FOR THE YEAR		**102,186**	61,380
Attributable to:			
Owners of the parent		**102,186**	61,380
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted		**RMB13.82 cents**	RMB8.30 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**102,186**	61,380
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Reclassification adjustments for losses included in the consolidated statement of profit or loss	**–**	10,714
	–	10,714
Exchange differences:		
Exchange differences on translation of foreign operations	**48,546**	(37,640)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**48,546**	(26,926)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**48,546**	(26,926)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**150,732**	34,454
Attributable to:		
Owners of the parent	**150,732**	34,454

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**216,325**	107,331
Advance payments for property, plant and equipment		**28,739**	15,069
Prepaid land lease payments		**37,809**	38,812
Prepayments, other receivables and other assets		**14,940**	18,747
Deferred tax assets		**15,372**	13,212
Total non-current assets		**313,185**	193,171
CURRENT ASSETS			
Inventories		**47,006**	43,433
Trade and bills receivable	*11*	**433,105**	446,358
Prepayments, other receivables and other assets		**56,820**	65,375
Due from related parties		**565**	3,542
Available-for-sale investments	*12*	**–**	24
Restricted cash		**1,084**	–
Cash and cash equivalents		**634,194**	610,242
Total current assets		**1,172,774**	1,168,974
CURRENT LIABILITIES			
Trade payables	*13*	**34,458**	20,964
Other payables and accruals		**228,419**	214,287
Interest-bearing bank borrowings	*14*	**96,000**	86,000
Due to a director		**232**	221
Tax payable		**54,857**	51,886
Government grants		**366**	366
Dividend payable		**–**	37,079
Total current liabilities		**414,332**	410,803
NET CURRENT ASSETS		**758,442**	758,171
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,071,627**	951,342

	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Other payables and accruals	**1,070**	1,064
Government grants	**1,364**	1,730
Deferred tax liabilities	**11,981**	4,095
Total non-current liabilities	**14,415**	6,889
Net assets	**1,057,212**	944,453
EQUITY		
Equity attributable to owners of the parent		
Share capital	**113**	113
Share premium	**675,410**	675,410
Reserves	**381,689**	268,930
Total equity	**1,057,212**	944,453

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors, the holding company of the Company is Golden Throat International Holdings Limited, which was incorporated in 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 financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 2, amendments to HKFRS 4, amendments to HKAS 40, HK(IFRIC)-Int 22 and Annual Improvements 2014-2016 cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRS are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bring together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
	Notes	Category	Amount *RMB'000*	Re-classification *RMB'000*	Amount *RMB'000*	Category
Financial assets						
Available-for-sale investments		AFS[2]	24	(24)	–	N/A
To: Financial assets at fair value through profit or loss	*(i)*			(24)		
Bills receivable		L&R[3]	393,137	(393,137)	–	N/A
To: Debt instrument at fair value through other comprehensive income	*(ii)*			(393,137)		
Debt instrument at fair value through other comprehensive income		N/A	–	393,137	393,137	FVOCI[1]
From: Bills receivable	*(ii)*			393,137		
Trade receivables	*(iii)*	L&R	53,221	–	53,221	AC[4]
Due from related parties		L&R	3,542	–	3,542	AC
Financial assets included in prepayments, other receivables and other assets		L&R	14,372	–	14,372	AC
Financial assets at fair value through profit or loss		N/A	–	24	24	FVPL[5] (mandatory)
From: Available-for-sale investment	*(i)*			24		
Cash and cash equivalents		L&R	610,242	–	610,242	AC
			1,074,538	–	1,074,538	

	HKAS 39 measurement			HKFRS 9 measurement	
	Category	Amount	Re-classification	Amount	Category
		RMB'000	*RMB'000*	*RMB'000*	
Financial liabilities					
Trade payables	AC	20,964	–	20,964	AC
Financial liabilities included in other payables and accruals	AC	146,532	–	146,532	AC
Interest-bearing bank borrowings	AC	86,000	–	86,000	AC
Due to a director	AC	221	–	221	AC
Dividend payable	AC	37,079	–	37,079	AC
		290,796	–	290,796	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost
5 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has classified its listed investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(ii) The Group has classified its bills receivable previously classified as loans and receivables as financial assets measured at fair value through other comprehensive income as these bills receivable are held within a business model with the objective of both holding to collect contractual cash flows and selling, and the contractual terms of the bills receivable give rise on specified dates to cash flows that are solely payments of principal.

(iii) The gross carrying amounts of the trade receivables under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowances under HKFRS 9 at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	935	-	935

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits
	RMB'000
Fair value reserve under HKFRS 9 (available-for-sale investment revaluation reserve under HKAS 39)	
Balance as at 31 December 2017 under HKAS 39	(58)
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	58
Balance as at 1 January 2018 under HKFRS 9	–
Retained profits	
Balance as at 31 December 2017 under HKAS 39	114,120
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	(58)
Balance as at 1 January 2018 under HKFRS 9	114,062

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 5. The adoption of HKFRS 15 has had no significant financial effect on the financial statements except for the effect described below:

Before the adoption of HKFRS 15, the Group recognised volume rebates as accrued liabilities. Under HKFRS 15, the amount is classified as refund liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB27,703,000 from accrued liabilities to refund liabilities as at 1 January 2018 in relation to the volume rebates as at 1 January 2018 which is included in other payables and accruals.

As at 31 December 2018, under HKFRS 15, RMB38,190,000 was reclassified from accrued liabilities to refund liabilities in relation to the volume rebates for the sale of products.

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, 98.9% of the Group's revenue was generated from customers located in Mainland China. The revenue information is based on the location of the customers.

All of the non-current assets of the Group were located in Mainland China.

Information about major customers

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 (2017: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers	**694,194**	–
Sale of goods	**–**	624,084
	694,194	624,084

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

	2018	2017
	RMB'000	*RMB'000*
Other income		
Government grants	**10,758**	10,735
Bank interest income	**9,675**	4,074
Investment income from financial assets at fair value through profit or loss	**2,803**	–
Others	**394**	393
	23,630	15,202
Gains		
Gain on disposal of items of property, plant and equipment	**624**	–
Foreign exchange gains, net	**–**	11,822
	624	11,822
	24,254	27,024

6. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**177,679**	188,495
Depreciation of items of property, plant and equipment	**5,319**	6,215
Amortisation of land lease payments	**1,003**	1,003
Research and development costs	**2,195**	2,089
Minimum lease payments under operating leases	**2,781**	3,193
Auditor's remuneration	**2,278**	2,068
Government grants	**(10,758)**	(10,735)
Bank interest income	**(9,675)**	(4,074)
Investment income from financial assets at fair value through profit or loss	**(2,803)**	–
Investment loss from available-for-sale investments	**–**	1,260
Foreign exchange losses/(gains), net	**28,748**	(11,822)
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**47,943**	47,591
Pension scheme contributions	**8,059**	8,367
Staff welfare expenses	**10,502**	11,683
	66,504	67,641
(Gain)/loss on disposal of items of property, plant and equipment	**(624)**	8
Impairment/(reversal of impairment) of trade receivables	**6,187**	(11)
Impairment/(reversal of impairment) of other receivables	**417**	(56)
Write-down of inventories to net realisable value	**192**	8,935

7. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**5,169**	4,766

8. INCOME TAX

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**37,447**	30,132
Over provision in prior years	**–**	(5,550)
Deferred tax	**9,821**	8,238
Total tax charge for the year	**47,268**	32,820

9. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Interim		
– Nil (2017: HK6 cents) per ordinary share	**–**	38,074
Proposed final		
– HK12 cents (2017: HK6 cents) per ordinary share	**77,733**	37,079
	77,733	75,153

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 amounts 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 (2017: 739,302,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

The calculation of basic earnings per share is based on:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**102,186**	61,380

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**739,302,000**	739,302,000

11. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**72,759**	54,156
Bills receivable	**366,693**	393,137
	439,452	447,293
Impairment	**(6,347)**	(935)
	433,105	446,358

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 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:

	2018	2017
	RMB'000	*RMB'000*
Less than 3 months	**60,806**	41,595
3 to 6 months	**3,317**	2,944
6 to 12 months	**2,025**	2,097
1 to 2 years	**133**	6,411
Over 2 years	**131**	174
	66,412	53,221

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	RMB'000	*RMB'000*
Listed equity investments, at fair value	**–**	24

Listed equity investments consist of investments in equity securities which were classified as financial assets at fair value through profit or loss as they were held for trading at 31 December 2017.

13. TRADE PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**34,458**	20,964

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

	2018	2017
	RMB'000	*RMB'000*
Less than 3 months	**32,278**	15,558
3 to 6 months	**510**	3,263
6 to 12 months	**453**	913
1 to 2 years	**3**	17
Over 2 years	**1,214**	1,213
	34,458	20,964

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

14. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2018 RMB'000	2017 RMB'000
Current				
Bank loans – secured	4.35	Within 1 year	**36,000**	56,000
Bank loans – unsecured	4.35	Within 1 year	**60,000**	30,000
			96,000	86,000
Analysed into:				
Bank loans repayable:				
Within one year or on demand			**96,000**	86,000

Notes:

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 RMB14,932,000 (2017: RMB36,446,000); 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 RMB1,545,000 (2017: RMB1,429,000); and

(iii) No bank loans have been guaranteed by a director of the Company, Jiang Peizhen, at the end of the reporting period (2017: RMB20,000,000).

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 Co., Ltd., alleging that the subsidiaries breached the contract by delaying the payment of an advertising fee. The estimated claims of the advertising fee and late charges for the overdue payment were RMB67,000,000 and RMB1,703,200, respectively. The Group recognised a liability of RMB50,750,000 as at 31 December 2017. In December 2018, the Group recognised additional RMB920,000 in accordance with the first trial decision. The two parties appealed the first trial decision in January 2019 and 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 Co., Ltd. ("Beijing Haitian"), alleging that the subsidiary breached the contract by delaying the payment of a promotion fee charged for the marketing and promotion services provided to the Group. The estimated claims of late charges and legal fee were RMB2,137,998 and RMB80,000, respectively. The trial was taken place in August 2018 and the claims made by Beijing Haitian were rejected by the court. Beijing Haitian appealed the first trial decision in November 2018 and 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 25 January 2018, Qi Feng Food Science and Technology (Beijing) Co., Ltd. ("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, have not provided for any claim arising from the arbitration.

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as of 29 March 2019 (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 2018.

"ASEAN"	Association of Southeast Asian Nations
"Audit Committee"	the audit committee of the Board
"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"	Guangxi Golden Throat Co., Ltd. (廣西金嗓子有限責任公司), 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"	Guangxi Golden Throat Import & Export Trading Co., Ltd.* (廣西金嗓子進出口貿易有限公司), 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"	relating to 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
"Shareholder(s)"	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

* *For identification only*

BUSINESS REVIEW

The Group is a leading manufacturer of lozenges in China. In August 2018, the Group was awarded the Huapu Award at the 12th China Brand Festival.

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.

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 2018, 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, and in 2018 the Group explored the export to countries including Vietnam, Kazakhstan, Kyrgyzstan, Maldives and Brazil. The export has covered five continents across the world.

For the year ended 31 December 2018, the Group's revenue of Golden Throat Lozenges (OTC) accounted for 90.5% 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.

In 2018, Golden Throat Lozenge established Golden Throat Lozenge flagship store on Taobao Tmall, with the addition of online exclusive Golden Throat Lozenge Series Products, which include six products comprising of Dule Lozenges Candy and five other flavours (including mint, chrysanthemum, red tangerine, fructus momordicae and American ginseng) and two types of herbal jelly candies.

In 2018, Golden Throat Lozenge Series Products entered into the markets of Myanmar and Poland successfully. As of 31 December 2018, Golden Throat Lozenge Series Products were exported to ten countries and regions.

For the year ended 31 December 2018, the Group's sales of Golden Throat Lozenge Series Products accounted for 7.8% of the Group's total revenue.

Other Products

For the year ended 31 December 2018, sales of the Group's other products accounted for 1.7% of the Group's total revenue. 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, eight are pharmaceutical products (including Jinyin Sanqi Capsule (金銀三七膠囊)), 21 are food products, one is 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. In order to realize the new online and offline retail interaction, expand the influence of the "Golden Throat (金嗓子)" brand and develop the younger consumer group market, in 2018 the Group developed the online exclusive Golden Throat Lozenge Series Products (six products including Dule Lozenges Candy and five other flavours including mint, chrysanthemum, red tangerine, fructus momordicae and American ginseng), and two types of herbal jelly candies. As of 31 December 2018, the Group's research and development team consisted 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 RMB57.8 million on research and development activities in the future. For the year ended 31 December 2018, the Group incurred RMB2.2 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" 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 August 2018, the Group was awarded the Huapu Award at the 12th China Brand Festival.

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. For the year ended 31 December 2018, substantially all of the Group's revenue was generated from sales to distributors.

As of 31 December 2018, the Group's distribution network with over 550 distributors directly engaged by it and covering all the provinces, autonomous regions and municipal cities throughout China had been further expanded and promoted to the county level. 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 conducted reshaping of the sales system. After reorganisation of the Group's distribution network by distribution areas, the number of secondary distributors increased. The restructuring of the national channel of Golden Throat Lozenges (OTC) of the Group has been initially completed in 2018, while the optimisation of Golden Throat's Two-Invoice System channel has been greatly achieved. For the year ended 31 December 2018, the sales income of the Group increased as compared to 2017.

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 nine ASEAN countries, except Laos. The Group has also sold its products to the overseas markets through Golden Throat Import & Export Company and local distributors.

We witnessed further growth of the Group's overseas export business in 2018, and the Group explored six new export countries, including Vietnam, Poland, Kazakhstan, Kyrgyzstan, Maldives and Brazil. As of 31 December 2018, the Group has exported to 42 countries. After more than ten years of overseas market expansion, Golden Throat has formed a solid strategic partnership with local distributors in export trade, and then gradually cultivated a large crowd of consumer groups overseas for the brand, establishing a diversified customer base for promoting "made in China" to overseas.

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

As disclosed in the Company's announcement dated 16 February 2016, the Company has entered into a framework agreement 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.

Promoters

As of 31 December 2018, 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, as the global pharmaceutical market grow steadily with the growth of global population and the increasing level of ageing population, the demand for and the types of medical services and medicines have been rising. Besides, the rising living standard gives rise to the increasing awareness of health management among the citizens, which has fostered the steady development of the global pharmaceutical market.

Given that the PM2.5 has been at an unhealthy level in most of the major cities in China for a long time in recent years, air pollution is one of the main causes of respiratory infections, especially pharyngitis. In view of the air pollution problem, consumers are more concerned about protecting their throats, and the pharmaceutical and lozenge market in China is expected to grow continuously.

PRC consumers' health awareness has been increasing year by year, which resulted in higher spending on health related products including, amongst others, health food and medicines. Consumers nowadays care more about quality of life and health than before, and are getting more familiar with different 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 suffer from common ailments or chronic diseases.

After the implementation of the "two-invoice system" for the pharmaceutical industry in China, which required the industry to strictly execute the unified management of purchase, sales and stock, and sell goods with invoice. Not only did it increase the operating cost of the pharmaceutical industry, which in turn required pharmaceutical factories in the industry to bear the distribution cost of pharmaceutical products and earned more profit for drug sales, but also caused the original marketing system no longer be able to adapt to the new trend.

In this regard, the Group adjusted its operation policy and implemented a new marketing mode for the whole nation in 2018. It was developed on the basis of a pilot project launched 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 sales channels and increase types, number and profit of drugs to be sold, which aimed to improve the distribution system.

Future Expansion and Upgrading Plan

For 2019, 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 Group's refined distribution network established back in 2013 and will continue to expand into new markets and further penetrate its existing markets through the expansion of its sales team to provide more distribution and sales support to its distributors at the pharmacy level. In addition, by evaluating its experience in adjusting the operational policy in 2017, the Group initially completed the restructuring in respect of sales channels and prices in 2018. The optimisation of Golden Throat's Two-Invoice System channel has been greatly achieved.

To further enhance the popularity of the Group's 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 with broader coverage. The Group's dedicated marketing team will continue to work closely with its distributors to design and carry out effective and targeted marketing campaigns and promotional activities.

The Group also intends to increase its production capacity by constructing a new production base to meet the market demand for its Golden Throat Lozenges (OTC). 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 at the end of 2018, the base, plants and workshops for new medicines production has entered into the phase of installation and interior decoration, and, according to schedule, will complete the relocation by the end of 2019. 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 2018, the Group's revenue amounted to approximately RMB694.2 million, as compared to RMB624.1 million for the year ended 31 December 2017, representing an increase of approximately RMB70.1 million, or 11.2%. The increase is mainly attributable to the increase in sales of Golden Throat Lozenges (OTC) products.

For the year ended 31 December 2018, the Group's revenue from sales of Golden Throat Lozenges (OTC) increased to RMB628.0 million, as compared to RMB555.5 million for the year ended 31 December 2017, representing an increase of approximately RMB72.5 million, or 13.1%, primarily attributable to the restructuring of the national channel of Golden Throat Lozenges (OTC) of the Group being initially completed in 2018, while the optimisation of Golden Throat's Two-Invoice System channel has been greatly achieved, and the sales of the Group increased on the whole for the year of 2018.

For the year ended 31 December 2018, the Group's revenue from sales of Golden Throat Lozenge Series Products increased to RMB54.1 million, as compared to RMB51.7 million for the year ended 31 December 2017, representing an increase of approximately RMB2.4 million, or 4.6%, maintaining a stable performance as compared with the same period last year.

For the year ended 31 December 2018, the Group's revenue from sales of other products decreased to RMB12.1 million, as compared to RMB16.9 million for the year ended 31 December 2017, representing a decrease of approximately RMB4.8 million, or 28.4%. This was due to a decrease in the types of pharmaceutical products sold by the members of the Group for the year ended 31 December 2018.

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 2018					
	Sales volume	**Revenue**	**Cost**	**Gross margin**	**Unit price**	**Unit cost**
	boxes'000	***RMB'000***	***RMB'000***	***%***	***RMB***	***RMB***
Golden Throat Lozenges (OTC)	**103,978**	**627,994**	**144,421**	**77.0**	**6.0**	**1.4**
Golden Throat Lozenge Series Products	**10,356**	**54,108**	**21,744**	**59.8**	**5.2**	**2.1**

	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

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 RMB188.5 million for the year ended 31 December 2017 to approximately RMB177.7 million for the year ended 31 December 2018, which accounted for approximately 25.6% of the Group's total revenue for the same period. The decrease in the cost of sales of the Group was mainly attributable to a decrease in write-down of inventories to net realisable value.

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 2018		Year ended 31 December 2017	
	RMB'000	***% of total***	*RMB'000*	*% of total*
Packaging materials	**80,477**	**45.3%**	78,308	41.5%
Raw materials	**43,412**	**24.4%**	42,976	22.8%
Labor costs	**38,615**	**21.7%**	41,532	22.0%
Depreciation	**4,700**	**2.6%**	4,891	2.6%
Commission processing fee	**381**	**0.2%**	540	0.3%
Write-down of inventories to net realisable value	**192**	**0.1%**	8,935	4.7%
Other costs	**9,902**	**5.7%**	11,313	6.1%
Total	**177,679**	**100%**	188,495	100%

Gross Profit

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

For the year ended 31 December 2018, the Group's gross profit increased to RMB516.5 million, as compared to RMB435.6 million for the year ended 31 December 2017, representing an increase of approximately RMB80.9 million, or 18.6%. The increase in the Group's gross profit was mainly due to the increase in revenue. The Group's gross profit margin increased to 74.4% for the year ended 31 December 2018 from 69.8% for the corresponding period of 2017.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, bank interest income and investment gains. For the year ended 31 December 2018, the Group's other income and gains decreased to RMB24.3 million, as compared to RMB27.0 million for the year ended 31 December 2017, representing a decrease of approximately RMB2.7 million. The decrease was primarily due to the exchange losses of the Group caused by fluctuations in the exchange rate for the year, while the Group generated exchange gains arising from the fluctuations in the exchange rate for the corresponding period of 2017.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of (i) advertising expenses, (ii) promotion expenses, (iii) employee benefit expenses, (iv) travel and office expenses, (v) marketing expenses, (vi) transportation fee and (vii) other miscellaneous expenses. For the year ended 31 December 2018, the Group's selling and distribution expenses amounted to approximately RMB290.0 million, as compared to RMB305.5 million for the year ended 31 December 2017, representing a decrease of approximately RMB15.5 million, or 5.1%. The decrease was mainly due to a decrease in the promotion fee of the herbal beverage business.

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, (vii) impairment loss for assets, and (viii) other miscellaneous expenses. For the year ended 31 December 2018, the Group's administrative expenses amounted to approximately RMB65.9 million, as compared to RMB56.2 million for the year ended 31 December 2017, representing an increase of approximately RMB9.7 million, or 17.3%. The increase was mainly due to an increase in the salaries of management and executives of the Group for the year and the impairment loss for asset receivables under HKFRS 9.

Other Expenses

The Group's other expenses primarily consisted of (i) write off of raw materials; (ii) exchange losses and (iii) other miscellaneous expenses. For the year ended 31 December 2018, the Group's other expenses amounted to approximately RMB30.2 million, as compared to RMB1.9 million for the year ended 31 December 2017, representing an increase of approximately RMB28.3 million. The increase was mainly due to exchange loss arising from the effect of the Group's exchange rate fluctuations for the year, as opposed to exchange gains arising from the effect of exchange rate fluctuations for 2017.

Finance costs

For the year ended 31 December 2018, the Group's finance costs amounted to approximately RMB5.2 million, as compared to RMB4.8 million for the year ended 31 December 2017, representing an increase of approximately RMB0.4 million or 8.3%. The increase was mainly due to the increase in average interest-bearing bank borrowings.

Income Tax Expense

For the year ended 31 December 2018, the Group's income tax expense amounted to approximately RMB47.3 million, as compared to RMB32.8 million for the year ended 31 December 2017, representing an increase of approximately RMB14.5 million or 44.2%. The effective tax rate for the year ended 31 December 2018 and the corresponding period of 2017 was 31.6% and 34.8% respectively. The increase in income tax expense was mainly due to the increase in total profit for the year.

Net Profit

The Group's net profit for the year ended 31 December 2018 was approximately RMB102.2 million, as compared to RMB61.4 million for the year ended 31 December 2017, representing an increase of approximately RMB40.8 million or 66.4%. The increase in net profit of the Group was mainly due to the increase in revenue. For the reasons for increase in revenue, please refer to the section headed "Revenue" above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As of 31 December 2018, the Group had net current assets of approximately RMB758.4 million, as compared to RMB758.2 million as of 31 December 2017. The current ratio of the Group was 2.8 for the year, which is the same as 2017.

Borrowings and the Pledge of Assets

As of 31 December 2018, the Group had aggregate interest-bearing bank borrowings of approximately RMB96.0 million, as compared to approximately RMB86.0 million as of 31 December 2017. All the bank borrowings are repayable within one year. As of 31 December 2018, the bank borrowings were made up of bank loans.

All of the Group's bank borrowings for the year ended 31 December 2018 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 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 RMB14,932,000 (2017: RMB36,446,000); 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 RMB1,545,000 (2017: RMB1,429,000); and

(iii) a director of the Company, Jiang Peizhen did not guarantee bank loans made to the Group as at the end of the reporting period (2017: RMB20,000,000).

Gearing Ratio

As of 31 December 2018, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity approximately amounted to 9.1%, which was the same as 2017.

CONTINGENT LIABILITIES

For details of the contingent liabilities of the Group as at 31 December 2018, 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$14.6 million and US$31.0 million as of 31 December 2018, 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.

For the year ended 31 December 2018, the Group had not used any financial instruments to hedge its foreign exchange risk.

EMPLOYEES AND EMOLUMENTS POLICY

As of 31 December 2018, the Group employed a total of 900 full-time employees, as compared to a total of 970 full-time employees as of 31 December 2017. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB62.1 million for the year ended 31 December 2018 as compared to RMB60.9 million for the corresponding period in 2017. 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 staff with outstanding performances to attract and retain capable employees of the Group.

SIGNIFICANT INVESTMENTS HELD

For the year ended 31 December 2018, 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 2018, the Group committed to invest approximately RMB64.9 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 raising its brand awareness through effective 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 2018, there was no change to the intended use of the IPO Proceeds as disclosed in the Prospectus.

As at 31 December 2018, the Group had utilised approximately HK$581.62 million, representing approximately 63.94% 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	186,825	20.54
Conversion of headquarters	–	–
Market expansion	286,685	31.52
Product development	11,579	1.27
Establishment of Chinese herbs processing base	–	–
Refinement and Upgrade of electronic code system	5,575	0.61
General working capital	90,960	10.00

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.12 per Share for the year ended 31 December 2018 to the Shareholders. The final dividend is subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (the "Annual General Meeting") to be held on 15 May 2019 and, if approved, will be paid on or before 28 June 2019 to the Shareholders whose names appear on the register of members of the Company on 27 May 2019.

ARRANGEMENT FOR CLOSURE OF REGISTER OF MEMBERS

The transfer books of the Company will be closed, for the purpose of determining entitlement to attend and vote at the Annual General Meeting, from 9 May 2019 to 15 May 2019, both days inclusive, during which period no transfer of Shares will 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 8 May 2019.

The transfer books of the Company will also be closed, for the purpose of determining entitlement to the final dividend, on 27 May 2019, during which period no transfer of Shares will 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 24 May 2019.

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 2018.

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 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018.

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 2018. 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 2018 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 2018 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Board hereby announces that the Company's principal place of business in Hong Kong has been changed to 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong with effect from 29 March 2019.

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

Guangxi, the PRC, 29 March 2019

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.