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 of its members)

(Stock Code: 6896)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS FOR 2019

- Revenue increased by approximately RMB102.9 million or 14.8% to approximately RMB797.1 million, as compared to the year ended 31 December 2018.

- Gross profit increased by approximately RMB82.0 million or 15.9% to approximately RMB598.5 million, as compared to the year ended 31 December 2018.

- Earnings before interest, taxes, depreciation and amortisation increased by approximately RMB78.3 million or 48.7% to approximately RMB239.2 million, as compared to the year ended 31 December 2018.

- Profit attributable to equity holders of the Company increased by approximately RMB65.4 million or 64.0% to approximately RMB167.6 million, as compared to the year ended 31 December 2018.

- The Board recommends the payment of a final dividend of HK$0.12 per share for the year ended 31 December 2019 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, is expected to be paid on or before 18 June 2020.

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 2019 together with the comparative audited figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
REVENUE	*5*	**797,129**	694,194
Cost of sales		**(198,673)**	(177,679)
Gross profit		**598,456**	516,515
Other income and gains	*5*	**26,814**	24,254
Selling and distribution expenses		**(308,447)**	(290,027)
Administrative expenses		**(77,540)**	(65,877)
Other expenses		**(9,556)**	(30,242)
Finance costs	*7*	**(9,807)**	(5,169)
PROFIT BEFORE TAX	*6*	**219,920**	149,454
Income tax expense	*8*	**(52,307)**	(47,268)
PROFIT FOR THE YEAR		**167,613**	102,186
Attributable to:			
Owners of the parent		**167,613**	102,186
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted		**RMB22.67 cents**	RMB13.82 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**167,613**	102,186
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**7,906**	48,546
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**7,906**	48,546
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**7,906**	48,546
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**175,519**	150,732
Attributable to:		
Owners of the parent	**175,519**	150,732

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**412,292**	216,325
Advance payments for property, plant and equipment		**4,537**	28,739
Right-of-use assets		**53,426**	–
Prepaid land lease payments		**–**	37,809
Prepayments, other receivables and other assets		**2**	14,940
Deferred tax assets		**16,893**	15,372
Total non-current assets		**487,150**	313,185
CURRENT ASSETS			
Inventories		**36,488**	47,006
Trade and bills receivables	*11*	**416,451**	433,105
Prepayments, other receivables and other assets		**38,841**	56,820
Due from related parties		**587**	565
Restricted cash		**–**	1,084
Pledged deposits		**70,103**	–
Cash and cash equivalents		**577,333**	634,194
Total current assets		**1,139,803**	1,172,774
CURRENT LIABILITIES			
Trade payables	*12*	**15,212**	34,458
Other payables and accruals		**273,006**	228,419
Interest-bearing bank and other borrowings	*13*	**96,123**	96,000
Due to a director		**237**	232
Tax payable		**77,900**	54,857
Government grants		**366**	366
Total current liabilities		**462,844**	414,332
NET CURRENT ASSETS		**676,959**	758,442
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,164,109**	1,071,627

	2019	2018
	RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,164,109**	1,071,627
NON-CURRENT LIABILITIES		
Other payables and accruals	**816**	1,070
Government grants	**998**	1,364
Deferred tax liabilities	**8,166**	11,981
Total non-current liabilities	**9,980**	14,415
Net assets	**1,154,129**	1,057,212
EQUITY		
Equity attributable to owners of the parent		
Share capital	**113**	113
Share premium	**675,410**	675,410
Reserves	**478,606**	381,689
Total equity	**1,154,129**	1,057,212

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 and financial assets at fair value through profit or loss 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for land, office and warehouse rental. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	**56,884**
Decrease in prepaid land lease payments	**(37,809)**
Decrease in prepayments, other receivables and other assets	**(18,334)**
Increase in total assets	**741**
Liabilities	
Increase in interest-bearing bank and other borrowings	**741**
Increase in total liabilities	**741**

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	**1,140**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	**(383)**
	757
Weighted average incremental borrowing rate as at 1 January 2019	**4.75%**
Discounted operating lease commitments as at 1 January 2019	**741**
Lease liabilities as at 1 January 2019	**741**

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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

(a) Revenue from external customer

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**788,901**	686,594
Other countries/regions	**8,228**	7,600
	797,129	694,194

The revenue information is based on the location of the customers.

(b) Non-current assets

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**455,009**	282,873
Hong Kong	**15,246**	14,913
	470,255	297,786

The non-current asset information above is based on the location of the assets and excludes financial instruments and deferred tax assets.

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 (2018: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**796,992**	694,036
Revenue from other sources		
Gross rental income	**137**	158
	797,129	694,194

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

	2019	2018
	RMB'000	*RMB'000*
Other income		
Government grants	**13,380**	10,758
Bank interest income	**12,449**	9,675
Investment income from financial assets at fair value through profit or loss	**969**	2,803
Others	**9**	394
	26,807	23,630
Gains		
Gains on disposal of items of property, plant and equipment	**7**	624
	26,814	24,254

6. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**198,673**	177,679
Depreciation of property, plant and equipment	**5,695**	5,319
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**3,818**	1,003
Research and development costs	**2,894**	2,195
Minimum lease payments under operating leases	**–**	2,781
Lease payments not included in the measurement of lease liabilities	**298**	–
Auditor's remuneration	**2,560**	2,278
Government grants	**(13,380)**	(10,758)
Bank interest income	**(12,449)**	(9,675)
Investment income from financial assets at fair value through profit or loss	**(969)**	(2,803)
Foreign exchange losses, net	**3,399**	28,748
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**48,755**	47,943
Pension scheme contributions	**10,099**	8,059
Staff welfare expenses	**13,471**	10,502
	72,325	66,504
Gains on disposal of items of property, plant and equipment	**(7)**	(624)
Impairment of trade receivables	**918**	6,187
Impairment of other receivables	**7,826**	417
Write-down of inventories to net realisable value	**924**	192

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**9,009**	5,169
Interest on discounted bills receivable	**775**	–
Interest on lease liabilities	**23**	–
	9,807	5,169

8. INCOME TAX

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**45,652**	37,447
Deferred tax	**6,655**	9,821
Total tax charge for the year	**52,307**	47,268

9. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Proposed final		
– HK12 cents (2018: HK12 cents) per ordinary share	**79,470**	77,733
	79,470	77,733

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 (2018: 739,302,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculation of basic earnings per share is based on:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**167,613**	102,186

	Number of shares	
	2019	2018
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

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**111,824**	72,759
Bills receivable	**311,892**	366,693
	423,716	439,452
Impairment	**(7,265)**	(6,347)
	416,451	433,105

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:

	2019	2018
	RMB'000	*RMB'000*
Less than 3 months	**100,595**	60,806
3 to 6 months	**1,467**	3,317
6 to 12 months	**1,929**	2,025
1 to 2 years	**512**	133
Over 2 years	**56**	131
	104,559	66,412

12. TRADE PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**15,212**	34,458

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

	2019	2018
	RMB'000	*RMB'000*
Less than 3 months	**11,460**	32,278
3 to 6 months	**1,497**	510
6 to 12 months	**1,051**	453
1 to 2 years	**1**	3
Over 2 years	**1,203**	1,214
	15,212	34,458

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Current					
Lease liabilities	4.75	Within 1 year	**370**	–	–
Bank loans – secured	3.25-4.35	Within 1 year	**65,753**	36,000	36,000
Bank loans – unsecured	4.35	Within 1 year	**30,000**	60,000	60,000
			96,123	96,000	96,000
Non-current					
Lease liabilities	4.75	2020	**–**	741	–
			96,123	96,741	96,000
Analysed into:					
Bank loans repayable:					
Within one year or on demand			**95,753**	96,000	96,000
Other borrowings repayable:					
Within one year or on demand			**370**	–	–
In the second year			**–**	741	–
			96,123	96,741	96,000

Notes:

(i) Certain of the Group's bank loans are secured by the pledge of the Group's deposits amounting to RMB70,103,000 (2018: Nil) at the end of the reporting period;

(ii) No building (2018: RMB1,545,000) was pledged to secure bank loan facilities granted to the Group at the end of the reporting period; and

(iii) No leasehold land (2018:RMB14,932,000) was pledged to secure bank loan facilities granted to the Group at the end of the reporting period.

14. CONTINGENT LIABILITIES

(a) 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 marketing and promotion services and late charges fee were RMB1,721,000 and RMB602,000, respectively. The trial took place in August 2018 and the claims made by Beijing Haitian were rejected by the court. Beijing Haitian appealed against the first instance decision in November 2018. The higher court ordered for retrial in January 2020 and the retrial 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.

(b) On 25 January 2018, Qi Feng Food Science and Technology (Beijing) Co., Ltd. ("Qi Feng") commenced an arbitration action against the subsidiary of the Group. The arbitration claim seeks orders that (i) the distribution agreement signed on 1 March 2016 is 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 and (iii) the subsidiary pay a compensation fee of RMB5,000,000 and the related legal fee for breach of the distribution agreement. In January 2020, Qi Feng appealed to withdraw the arbitration order made in November 2019. 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.

15. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the outbreak of novel coronavirus ("COVID-19") has inevitably caused certain impact on both the overall markets and business performance of the Group, mainly due to travel restrictions and other precaution measures imposed by relevant local authorities that resulted in delays in commencement for work production in manufacturing plants, temporary closure for business of suppliers and distributors, and the overall decline in market demand during the outbreak period.

The Group estimates that the degree of COVID-19 impact will be dependent on the duration of epidemic and the outcome of preventive measures undertaken by respective local authorities. The Group is closely monitoring the market development and continuously evaluating the impact of COVID-19 situation on the Group's operational and financial performance. Given the dynamic circumstances and uncertainties of COVID-19 situation, the Group's 2020 financial performance would inevitably be affected by the COVID-19 situation. The overall financial impact could not be reasonably estimated at this stage, and will be reflected in the Group's 2020 interim and annual financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as at 31 March 2020 (the date of this announcement). It should be read in conjunction with the audited consolidated financial statements and the notes thereto of the Group for the year ended 31 December 2019.

"ASEAN"	Association of Southeast Asian Nations
"Audit Committee"	the audit committee of the Board, established on 13 February 2015
"Board"	the board of Directors of the Company
"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
"Company"	Golden Throat Holdings Group Company Limited (金嗓子控股集團有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 2 September 2014
"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 Herbal Vegetable Beverages Series Products"	Golden Throat Herbal Vegetable Beverages Series Products (金嗓子草本植物飲料系列產品), a series of the Group's products and approved as a type of food
"Golden Throat Lozenges (OTC)"	Golden Throat Lozenges (金嗓子喉片), one of the Group's key products and approved as a type of over-the-counter medicine
"Golden Throat Lozenge Series Products"	Golden Throat Lozenge Series Products (金嗓子喉寶系列產品), one of the Group's key products and approved as food products
"Group"	the Company and its subsidiaries
"Herbal Vegetable Beverage"	Golden Throat Herbal Vegetable Beverage (金嗓子草本植物飲料), a series of products under Golden Throat Herbal Vegetable Beverages Series Products
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IPO Proceeds"	the net proceeds from the listing of the Shares on the Stock Exchange

"Jointown"	Jointown Pharmaceutical Group Co. Ltd. (九州通醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600998) and an independent third party of the Group
"Listing Date"	15 July 2015
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"OTC"	pharmaceutical products which may, upon receiving the CFDA's approval, be sold over the counter in China at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner
"PRC" or "China"	the People's Republic of China, for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus of the Company dated 30 June 2015 in respect of the global offering of the Shares
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary shares in the capital of the Company with a nominal value of US$0.000025 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States"	the United States of America, its territories, its possessions and all its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States

Unless otherwise specified, all numerical figures in the management discussion and analysis section of this announcement are rounded to one decimal place.

BUSINESS REVIEW

The Group is a leading manufacturer of lozenges in China. At the China Financial Market Awards 2019, Golden Throat stood out for its excellent performance in brand value, and was awarded the Best Brand Value Award. It also won the Huapu Award at the 13th China Brand Festival in August 2019. In October 2019, in the 2019 overall statistical ranking of China nonprescription medicines enterprises and product brands, Golden Throat Lozenges stood out amongst many products and was awarded No. 1 amongst Chinese traditional medicines (Throat) by China Nonprescription Medicines Association. It ranked 37th in the overall ranking of manufacturing enterprises. Currently, the Group has developed into a modern integrated group mainly engaging in the manufacture and sale of lozenges and other pharmaceutical and food products.

Key Products

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

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

The Group's flagship product is Golden Throat Lozenges (OTC), which was launched in 1994. It is a type of lozenge mainly designed to relieve symptoms of sore and dry throat and hoarse voice caused by acute pharyngitis. Golden Throat Lozenges (OTC) was approved as over-the-counter medicine by the 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 2019, Golden Throat Lozenges (OTC) were exported to the United States, Canada, Russia, the European Union, Australia, Southeast Asia, Middle East, Mexico, Africa, and Mongolia, a newly explored export country in 2019, across five continents of the world.

As of 31 December 2019, the Group's revenue of Golden Throat Lozenges (OTC) accounted for approximately 90.5% of its total revenue for the year ended 31 December 2019.

Golden Throat Lozenge Series Products – Food

The Group's other key products are Golden Throat Lozenge Series Products, which include seven products comprising of Dule Lozenges (都樂含片), sugar-free Dule Lozenges and five other sugar-free flavours of this series, namely orange (香橙), fructus momordicae (羅漢果), chrysanthemum (桑菊), American ginseng (西洋參) and hawthorn (山楂).

A major difference between Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products is that the former is approved as over-the-counter medicine, whereas the latter is approved as food products. The sugar-free series of Golden Throat Lozenge Series Products was launched in 2013, which supplements the Group's original sales channel and provides consumers with more diversified choices in response to consumer differentiation.

In 2019, Golden Throat Lozenge Series Products was newly exported to Japan, United Kingdom, the Netherlands, Italy, Spain, Portugal and Germany. As of 31 December 2019, Golden Throat Lozenge Series Products were exported to 17 countries and regions.

As of 31 December 2019, the Group's revenue of Golden Throat Lozenges Series Products accounted for approximately 8.4% of its total revenue for the year ended 31 December 2019.

Other Products

As of 31 December 2019, the Group's revenue of other products accounted for approximately 1.1% of its total revenue for the year ended 31 December 2019. 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 a health supplement and one is a medical apparatus product.

The Group's research and development activities are conducted both in-house and through collaborations with external research institutions, such as hospitals, institutes for drug research and other companies. As at 31 December 2019, the Group's research and development team consisted of approximately 270 people.

Sales, Marketing and Distribution

Branding

The Group believes that strong brand recognition and customer loyalty are key to the recognition of the "Golden Throat (金嗓子)" brand. In 2017, "Golden Throat (金嗓子)" brand was selected as a world famous brand by the China America Branding Strategy Forum and in the same year, the Company was ranked amongst the listed companies on the Forbes China Up-and-Comers List. At the China Financial Market Awards 2019, Golden Throat stood out for its excellent performance in brand value, and was awarded the Best Brand Value Award. It also won the Huapu Award at the 13th China Brand Festival in August 2019. In October 2019, in the 2019 overall statistical ranking of China nonprescription medicines enterprises and product brands, Golden Throat Lozenges stood out among many products and was awarded No. 1 amongst Chinese traditional medicines (Throat) by China Nonprescription Medicines Association. It ranked 37th in the overall ranking of manufacturing enterprises.

Distribution Network

The Group has established an extensive and structured sales and distribution network throughout China for its (i) over-the-counter medicines, (ii) food products and (iii) prescription medicines. As of 31 December 2019, substantially all of the Group's revenue was generated from sales to distributors.

As of 31 December 2019, the Group's distribution network had no substantial change, with over 550 distributors directly engaged by it and covering all the provinces, autonomous regions and municipal cities throughout China. In addition, the Group has also engaged promoters to further facilitate its product promotion and advertising, strengthen communication with its customers and monitor the activities of its distributors. The Group restructured its sales system since the first half of 2018. After reorganisation of the Group's distribution network and delineating distribution areas, the number of sub-distributors will be increased. The restructuring of the national channel of Golden Throat Lozenges (OTC) was further strengthened in 2019, and the enhancement of Golden Throat channel was further improved. As of 31 December 2019, the Group's secured orders increased as compared to the corresponding period in 2018.

As mentioned above, the Group also has a presence in various overseas markets for its products, including the United States, Canada, Russia, Japan, the European Union, Australia, Southeast Asia, Middle East, Mexico, and newly explored export countries in 2019 including Mongolia, Japan, United Kingdom, the Netherlands, Italy, Spain, Portugal and Germany across five continents of the world. The Group has actively responded to China's top-level strategy – the national "Belt and Road" initiative, of which 10 ASEAN countries play a vital role in its strategy. Up to now, the Company has successfully entered into agency agreements with all of the 10 ASEAN countries, and its products have exported to nine countries, except Laos.

The Group witnessed further growth of the Group's overseas export business in 2019, and Japan, the Group's new export country, is one of the countries imposing the strictest controls on food imports over the world. With 100% confidence in our product quality and the courage to explore the global market, the first batch of Golden Throat Lozenge Series Products exported to Japan has passed the indicator assessment and are now available for sale. Having a large population, there is a strong future growth potential in market in Japan. Golden Throat being available for sale, from the commercial perspective or with regard to brand awareness, has been of great significance.

As of 31 December 2019, the Group has exported its products to up to 50 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 Series Products flagship store on online platform Taobao Tmall, with the addition of online exclusive Golden Throat Lozenge Series Products, which include six products comprising of Golden Throat Lozenge Dule Lozenges and five other flavours (including mint, chrysanthemum, red tangerine (桔紅), fructus momordicae and American ginseng) and various fruit candies. 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 entered into the Framework Agreement on strategic cooperation on 15 February 2016 with Jointown based on both parties' intention for joint development. Pursuant to the Framework Agreement, the Company shall grant exclusive agency rights to Jointown (to the subsidiary of Jointown in 2019) 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 2019, the Group has entered into certain products promotion cooperation agreements with 11 promoters. The primary reasons for engaging the promoters in certain regions are: (i) their knowledge of local markets and substantial experience in promoting products; and (ii) their familiarity with local municipal level agents and that the Group can benefit from their facilitation and ongoing feedback of such local markets.

Market Review

In recent years, as the global pharmaceutical market grow steadily with the growth of global population and the increasing level of ageing population, the demand for and the types of medical services and medicines have been rising. Besides, the rising living standard gives rise to the increasing awareness of health management among the citizens, which has fostered the steady development of the global pharmaceutical market. Given that the particulate matter 2.5 (PM2.5) has been at an unhealthy level in most of the major cities in China for a long time in recent years, air pollution is one of the main causes of respiratory infections, especially pharyngitis. In view of the air pollution problem, consumers are more concerned about protecting their throats, and the pharmaceutical and lozenge market in China is expected to grow continuously.

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

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 manufacture products with higher profit margins, 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 from 2018 to 2019. On the basis of the pilot project in three regions including Hebei, Taihe in Anhui and Guangdong in 2017, a new marketing model was launched nationwide in 2018, 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 since 2018. The objective is to expand channels and increase types, number and profit of products to be sold, which aims to improve the distribution system.

Future Expansion and Upgrading Plan

In 2020, 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 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 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 2018, the Group further strengthened the restructuring of the national sales channel of Golden Throat Lozenges (OTC) in 2019, while the enhancement of the Group's channel has been successfully achieved.

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 has a broader coverage. The Group's dedicated marketing team will continue to work closely with its distributors to design and carry out effective and targeted marketing campaigns and promotional activities.

The Group also intends to increase its production capacity by constructing a new production base to meet the market demand for its Golden Throat Lozenges (OTC). As of 31 March 2020, part of the external structures of plants of a new medicine production and research and development base of the Group located at Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region were completed and its commissioning of production line and trial production were being carried out. After completion of inspection work such as Good Manufacturing Practice (GMP), it is expected that the overall relocation of the Group will be implemented in the second half of 2020. After the expansion in 2020 as scheduled, the Group expects to have an increase in its annual production capacity of Golden Throat Lozenges (OTC) 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 2019, the Group's revenue increased by approximately RMB102.9 million or 14.8% to approximately RMB797.1 million, as compared to approximately RMB694.2 million for the year ended 31 December 2018. The increase is mainly attributable to the increase in sales of Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products.

For the year ended 31 December 2019, the Group's revenue generated from sales of Golden Throat Lozenges (OTC) was approximately RMB721.2 million, representing an increase of approximately RMB93.2 million or 14.8% as compared to approximately RMB628.0 million for the year ended 31 December 2018. The increase was mainly attributable to the fact that the Group further improved the restructuring of the national channel of Golden Throat Lozenges (OTC) in 2019, while the enhancement of the Company's channel has achieved good result. The Company's related sales revenue therefore increased in 2019.

For the year ended 31 December 2019, the Group's revenue from the sales of the Golden Throat Lozenge Series Products amounted to approximately RMB66.8 million as compared to approximately RMB54.1 million for the year ended 31 December 2018, representing an increase of approximately RMB12.7 million or 23.5%, which was mainly attributable to the Group's further strengthening of the marketing and distribution network of Golden Throat Lozenge Series Products.

For the year ended 31 December 2019, the Group's revenue from sales of other products amounted to approximately RMB9.1 million, which was decreased by approximately 24.8% as compared to approximately RMB12.1 million 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 2019					
	Sales	**Revenue**	**Cost**	**Gross margin**	**Unit price**	**Unit cost**
	boxes'000	*RMB'000*	*RMB'000*	*%*	*RMB*	*RMB*
Golden Throat Lozenges (OTC)	**112,581**	**721,181**	**158,724**	**78.0**	**6.4**	**1.4**
Golden Throat Lozenge Series Products	**12,851**	**66,776**	**23,906**	**64.2**	**5.2**	**1.9**

	Year ended 31 December 2018					
	Sales	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

Cost of Sales

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

The Group's cost of sales increased from approximately RMB177.7 million for the year ended 31 December 2018 to approximately RMB198.7 million for the year ended 31 December 2019, which represents approximately 24.9% of the Group's total revenue for the same period. The increase in cost of sales of the Group for the year ended 31 December 2019 was mainly attributable to the increase in the sales volume of Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products.

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	RMB'000	***% of total***	*RMB'000*	*% of total*
Packaging materials	**92,307**	**46.5%**	80,477	45.3%
Raw materials	**44,958**	**22.6%**	43,412	24.4%
Labor costs	**42,498**	**21.4%**	38,615	21.7%
Depreciation	**4,688**	**2.4%**	4,700	2.6%
Commission processing fee	**919**	**0.4%**	381	0.2%
Write-down of inventories to net realisable value	**924**	**0.5%**	192	0.1%
Other costs	**12,379**	**6.2%**	9,902	5.7%
Total	**198,673**	**100%**	177,679	100%

Gross Profit

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

The Group's gross profit for the year ended 31 December 2019 was approximately RMB598.5 million, as compared to approximately RMB516.5 million for the year ended 31 December 2018, representing an increase of approximately RMB82.0 million, or 15.9%. The increase in the Group's gross profit was mainly due to the increase in the Group's revenue. The Group's gross profit margin increased to 75.1% as of 31 December 2019 from 74.4% for the corresponding period in 2018.

Other Income and Gains

The Group's other income and gains mainly comprised government grants and interest income. For the year ended 31 December 2019, the Group's other income and gains increased to approximately RMB26.8 million, as compared to approximately RMB24.3 million for the year ended 31 December 2018, representing an increase of approximately RMB2.5 million. Other income and gains remained basically the same as compared to the corresponding period in 2018.

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 2019, the Group's selling and distribution expenses amounted to approximately RMB308.4 million, as compared to approximately RMB290.0 million for the year ended 31 December 2018, representing an increase of approximately RMB18.4 million, or 6.3%. Such increase was mainly attributable to the increase in sales expenses paid by the Group in relation to the in-depth implementation of the enhancement of the Group's channel for the year ended 31 December 2019.

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 right-of-use assets, (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 2019, the Group's administrative expenses amounted to approximately RMB77.5 million, as compared to approximately RMB65.9 million for the year ended 31 December 2018, representing an increase of approximately RMB11.6 million, or 17.6%. The increase was mainly attributable to the increase in salary for management and administrative personnel of the Group for the year.

Other Expenses

Other expenses of the Group mainly include (i) litigation fee and (ii) exchange losses. For the year ended 31 December 2019, the Group's other expenses amounted to approximately RMB9.6 million, as compared to approximately RMB30.2 million for the year ended 31 December 2018, representing a decrease of approximately RMB20.6 million. The decrease was mainly attributable to a decrease in exchange loss arising from the effect of the Group's exchange rate fluctuations for the year.

Finance Costs

For the year ended 31 December 2019, the Group's finance costs amounted to approximately RMB9.8 million, as compared to approximately RMB5.2 million for the year ended 31 December 2018, representing an increase of approximately RMB4.6 million, or 88.5%. The increase was mainly attributable to the increase in average interest-bearing bank borrowings.

Income Tax Expense

For the year ended 31 December 2019, the Group's income tax expense amounted to approximately RMB52.3 million, as compared to approximately RMB47.3 million for the year ended 31 December 2018, representing an increase of approximately RMB5.0 million, or 10.6%. The effective tax rate for the year ended 31 December 2019 and the corresponding period in 2018 was 23.8% and 31.6%, respectively. The decrease in effective tax rate was mainly attributable to the reduction in tax adjustment.

Net Profit

For the year ended 31 December 2019, the Group's net profit increased to approximately RMB167.6 million, as compared to approximately RMB102.2 million for the year ended 31 December 2018, representing an increase of approximately RMB65.4 million, or 64.0%. The increase in the Group's net profit was mainly attributable to the increase in the Group's revenue. For the reasons of increase in the Group's revenue, please refer to the section headed "Revenue" above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As of 31 December 2019, the Group had net current assets of approximately RMB677.0 million, as compared to approximately RMB758.4 million as of 31 December 2018. The current ratio of the Group decreased to approximately 2.5 as at 31 December 2019 from 2.8 as at 31 December 2018. The decrease in net current assets was mainly attributable to the increase in the Group's capital used in the construction of a new medicines production and research and development base in Luowei Industrial Concentration Area.

Borrowings and the Pledge of Assets

As of 31 December 2019, the Group had an aggregate interest-bearing bank borrowings and other borrowings of approximately RMB96.1 million, as compared to approximately RMB96.0 million as of 31 December 2018. All the bank borrowings are repayable within one year. Bank borrowings and other borrowings remained basically the same as compared with 31 December 2018.

As of 31 December 2019, all of the Group's bank borrowings were at fixed interest rates. For details of such borrowings, please refer to Note 13 of the Group's consolidated financial statements above.

The Group continues to manage its financial position and capital structure with a solid equity base, adequate working capital and credit facilities. The Group has various policies governing accounting control, as well as credit and foreign exchange risks and treasury management. The Group has also been paying close attention to asset and liability management, including liquidity risks and currency risks.

As at 31 December 2019, the Group had certain bank loans and collaterals:

(i) Certain of the Group's bank loans are secured by the pledge of the Group's deposits amounting to RMB70,103,000 (2018: Nil) at the end of the reporting period;

(ii) No building (2018: RMB1,545,000) was pledged to secure bank loan facilities granted to the Group at the end of the reporting period; and

(iii) No leasehold land (2018:RMB14,932,000) was pledged to secure bank loan facilities granted to the Group at the end of the reporting period.

Gearing Ratio

As of 31 December 2019, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to approximately 8.3% from approximately 9.1% as of 31 December 2018. The decrease was mainly attributable to the increase in total equity from RMB1,057.2 million as at 31 December 2018 to RMB1,154.1 million as at 31 December 2019.

Contingent Liabilities

For details of the contingent liabilities of the Group as at 31 December 2019, please refer to Note 14 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 in HKD and USD, amounting to approximately HK$9.2 million and US$5.5 million as of 31 December 2019, respectively. The Group has exposure to foreign exchange risk that arises from fluctuations in the exchange rates of HKD to RMB and USD to RMB.

As at 31 December 2019, the Group did not use any financial instruments to hedge its foreign exchange risk.

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2019, the Group employed a total of 903 full-time employees, as compared to a total of 839 full-time employees as at 31 December 2018. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB69.1 million for the year ended 31 December 2019 as compared to approximately RMB62.1 million for the corresponding period in 2018. 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. With respect to trainings, the Company proactively arranges its employees to study the newly-promulgated laws and regulations in the PRC so as to ensure that products produced by the Group are in compliance with the laws and regulations. The Group also organises various training programmes targeting employees from different business departments and functions. For example, there are training programmes in relation to knowledge of Chinese medicinal herbs and Chinese medicine decoction pieces as well as the trainings in relation to production quality standard of pharmaceutical products, equipment maintenance and repair and so forth. All of these are designed to provide support to the technological development and team building of the Group.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

For the year ended 31 December 2019, the Group did not hold any significant investments or make any material acquisitions or disposals of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

For the year ended 31 December 2019, the Group committed to investing approximately RMB69.6 million for the purpose of constructing a new medicines production and research and development base in Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region. Such investment will be funded by the IPO Proceeds as set out in the section headed "Use of net proceeds from listing" below. Save as disclosed 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. The Group will aim to enhance its brand recognition through effective and targeted marketing efforts, and will continue to expand its distribution network, to refine associated infrastructure and to leverage on its existing distribution network to promote different products.

USE OF NET PROCEEDS FROM LISTING

The IPO Proceeds (including 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 2019, there was no change to the intended use of the IPO Proceeds as disclosed in the Prospectus.

From the Listing Date to 31 December 2019, the Group had utilised approximately HK$604.04 million, representing approximately 66.41% of the IPO Proceeds. Set out below is a summary of the utilisation of the IPO Proceeds:

Use of IPO Proceeds

	Utilised	
	HK$'000	*% of IPO Proceeds*
Construction in Luowei Industrial Concentration Area	202,873	22.30
Conversion of headquarters	–	–
Market expansion	286,685	31.52
Product development	17,057	1.88
Establishment of Chinese herbs processing base	–	–
Refinement and Upgrade of electronic code system	6,467	0.71
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 2019 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 28 May 2020 and, if approved, is expected to be paid on or before 18 June 2020 to the Shareholders whose names appear on the register of members of the Company on 10 June 2020.

ARRANGEMENT FOR CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the Annual General Meeting, the transfer books and register of members of the Company will be closed from 22 May 2020 to 28 May 2020, 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 21 May 2020. For the purpose of determining entitlement to the final dividend, the transfer books and register of members of the Company will also be closed on 10 June 2020, 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 9 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. Save as disclosed below, the Company complied with all the applicable code provisions set out in the CG Code for the year ended 31 December 2019.

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. After having made specific enquiry to all Directors, the Company confirmed that all of the Directors complied with the required standards set out in the Model Code for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries for the year ended 31 December 2019.

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 2019. The Audit Committee has also reviewed the effectiveness of the Group's risk management and internal control systems and considered such systems in place to be effective and adequate.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND 2019 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This 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 2019 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Guangxi, the PRC, 31 March 2020

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