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# **GOLDEN THROAT HOLDINGS GROUP COMPANY LIMITED** **金嚜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 2021 AND CHANGE IN USE OF PROCEEDS**

### **FINANCIAL HIGHLIGHTS FOR 2021**

- The Group's revenue increased by approximately RMB173.6 million or 26.8% to approximately RMB820.5 million, as compared to the year ended 31 December 2020.
- The Group's gross profit increased by approximately RMB102.1 million or 21.5% to approximately RMB577.7 million, as compared to the year ended 31 December 2020.
- The Group's earnings before interest, taxes, depreciation and amortisation increased by approximately RMB48.5 million or 20.8% to approximately RMB281.8 million, as compared to the year ended 31 December 2020.
- Profit attributable to equity holders of the Company increased by approximately RMB33.5 million or 21.7% to approximately RMB187.6 million, as compared to the year ended 31 December 2020.
- The Board recommends the payment of a final dividend of HK\$0.18 per share for the year ended 31 December 2021 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 13 June 2022.

## 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 2021, together with the audited comparative figures for the previous year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>REVENUE</b>	5	<b>820,543</b>	646,941
Cost of sales		<u>(242,807)</u>	<u>(171,298)</u>
Gross profit		<b>577,736</b>	475,643
Other income and gain	5	<b>32,545</b>	66,087
Selling and distribution expenses		<b>(261,610)</b>	(253,309)
Administrative expenses		<b>(103,178)</b>	(83,526)
Other expenses		<b>(671)</b>	(3,506)
Finance costs	7	<u><b>(7,975)</b></u>	<u>(11,503)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>236,847</b>	189,886
Income tax expense	8	<u><b>(49,204)</b></u>	<u>(35,834)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>187,643</b></u>	<u>154,052</u>
Attributable to:			
Owners of the parent		<u><b>187,643</b></u>	<u>154,052</u>
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY</b>			
<b>EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	10	<u><b>RMB25.38 cents</b></u>	<u>RMB20.84 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>187,643</u></b>	<b><u>154,052</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(6,280)</u>	<u>(10,770)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(6,280)</u>	<u>(10,770)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>(6,280)</u></b>	<b><u>(10,770)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>181,363</u></b>	<b><u>143,282</u></b>
Attributable to:		
Owners of the parent	<b><u>181,363</u></b>	<b><u>143,282</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>445,996</b>	461,460
Advance payments for property, plant and equipment		<b>478</b>	1,411
Right-of-use assets		<b>53,336</b>	48,808
Prepayments, other receivables and other assets		<b>108</b>	–
Deferred tax assets		<b>18,363</b>	17,201
		<hr/>	<hr/>
Total non-current assets		<b>518,281</b>	528,880
<b>CURRENT ASSETS</b>			
Inventories		<b>64,963</b>	38,843
Trade and bills receivables	<i>11</i>	<b>415,971</b>	364,067
Prepayments, other receivables and other assets		<b>95,594</b>	47,761
Due from related parties		<b>459</b>	–
Financial assets at fair value through profit or loss		<b>80,000</b>	–
Pledged deposits		<b>55,072</b>	–
Cash and cash equivalents		<b>722,839</b>	705,537
		<hr/>	<hr/>
Total current assets		<b>1,434,898</b>	1,156,208
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>21,829</b>	16,081
Other payables and accruals		<b>283,712</b>	237,980
Interest-bearing bank and other borrowings	<i>13</i>	<b>234,999</b>	152,450
Due to a director		<b>216</b>	222
Due to related parties		<b>860</b>	609
Tax payable		<b>37,236</b>	52,139
Government grants		<b>366</b>	366
		<hr/>	<hr/>
Total current liabilities		<b>579,218</b>	459,847
<b>NET CURRENT ASSETS</b>			
		<b>855,680</b>	696,361
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>1,373,961</b>	1,225,241

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><b>1,373,961</b></u>	<u>1,225,241</u>
<b>NON-CURRENT LIABILITIES</b>		
Other payables and accruals	<b>890</b>	684
Government grants	<b>341</b>	632
Deferred tax liabilities	<u><b>7,587</b></u>	<u>3,583</u>
Total non-current liabilities	<u><b>8,818</b></u>	<u>4,899</u>
Net assets	<u><b>1,365,143</b></u>	<u>1,220,342</u>
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	<b>113</b>	113
Share premium	<b>675,410</b>	675,410
Reserves	<u><b>689,620</b></u>	<u>544,819</u>
Total equity	<u><b>1,365,143</b></u>	<u>1,220,342</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 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 Reporting Period, 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.

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 revised HKFRSs for the first time for the Reporting Period’s financial statements.

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*Covid-19-Related Rent Concessions beyond 30 June 2021*  
(early adopted)

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

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

The amendments did not have any impact on the financial position and performance of the Group.

- b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. The amendment did not have any impact on the financial position and performance of the Group as the Group does not have any Covid-19-Related rent concessions for the year ended 31 December 2021.

#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

##### Geographical information

###### (a) Revenue from external customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	817,130	641,845
Other countries/regions	<u>3,413</u>	<u>5,096</u>
	<u><u>820,543</u></u>	<u><u>646,941</u></u>

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

###### (b) Non-current assets

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	490,516	499,677
Hong Kong	<u>9,402</u>	<u>12,002</u>
	<u><u>499,918</u></u>	<u><u>511,679</u></u>

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

##### Information about major customers

Revenue from a major customer which accounted for 10% or more of the Group's revenue during the Reporting Period is set out below:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer A	<u><u>95,890</u></u>	<u><u>N/A*</u></u>

\* Less than 10% of the Group's revenue.



## 5. REVENUE, OTHER INCOME AND GAIN

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers	820,407	646,812
Revenue from other sources		
Gross rental income	<u>136</u>	<u>129</u>
	<u><u>820,543</u></u>	<u><u>646,941</u></u>

### Revenue from contracts with customers

#### (a) *Disaggregated revenue information*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Geographical markets</b>		
Mainland China	816,994	641,716
Other countries/regions	<u>3,413</u>	<u>5,096</u>
	<u><u>820,407</u></u>	<u><u>646,812</u></u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<u><u>820,407</u></u>	<u><u>646,941</u></u>

The following table shows the amounts of revenue recognised during the year that were included in the contract liabilities at the beginning of the reporting period:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of products	<u><u>37,657</u></u>	<u><u>11,675</u></u>

**(b) Performance obligations**

Information about the Group's performance obligations is summarised below:

*Sale of products*

The performance obligation is satisfied upon acceptance of the goods and payment is generally due within three months, extending up to six months for certain customers.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<u><b>85,214</b></u>	<u>44,014</u>

The amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gain is as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b><u>Other income</u></b>		
Government grants	<b>10,520</b>	15,018
Bank interest income	<b>15,346</b>	15,206
Investment income from financial assets at fair value through profit or loss	<b>1,413</b>	2,522
Foreign exchange differences, net	<b>3,367</b>	2,281
Others	<u><b>41</b></u>	<u>980</u>
	<u><b>30,687</b></u>	<u>36,007</u>
<b><u>Gain</u></b>		
Gain on settlement of litigation	<u><b>1,858</b></u>	<u>30,080</u>
	<u><b>32,545</b></u>	<u>66,087</u>

## 6. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold*	242,807	171,298
Depreciation of property, plant and equipment	33,125	28,147
Depreciation of right-of-use assets	3,850	3,771
Research and development costs	22,285	2,793
Lease payments not included in the measurement of lease liabilities	519	124
Auditor's remuneration	2,953	2,715
Government grants	(10,520)	(15,018)
Bank interest income	(15,346)	(15,206)
Investment income from financial assets at fair value through profit or loss	(1,413)	(2,522)
Foreign exchange differences, net	(3,367)	(2,281)
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	58,621	56,649
Pension scheme contributions	8,190	653
Staff welfare expenses	15,159	11,976
	<u>81,970</u>	<u>69,278</u>
Loss on disposal of items of property, plant and equipment	75	36
Impairment of trade receivables, net	183	(6,240)
Impairment of other receivables, net	(120)	165
Write-down of inventories to net realisable value**	<u>(983)</u>	<u>1,032</u>

\* The cost of inventories sold includes the following expenses which are also included in the respective total amounts of the items disclosed above:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation of property, plant and equipment	26,712	5,293
Employee benefit expense	<u>45,708</u>	<u>39,259</u>

\*\* The write-down of inventories to net realisable value for the Reporting Period is included in "Cost of inventories sold" in the consolidated statement of profit or loss.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank loans	5,897	7,667
Interest on discounted bills receivable	2,052	3,830
Interest on lease liabilities	<u>26</u>	<u>6</u>
	<u><u>7,975</u></u>	<u><u>11,503</u></u>

## 8. INCOME TAX

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
Charge for the year	44,138	40,725
Deferred tax	<u>5,066</u>	<u>(4,891)</u>
Total tax charge for the year	<u><u>49,204</u></u>	<u><u>35,834</u></u>

## 9. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed final – HK18 cents (2020: HK6 cents) per ordinary share	<u><u>108,802</u></u>	<u><u>37,334</u></u>

The proposed final dividend for the year ended 31 December 2021 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 739,302,000 (2020: 739,302,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculation of basic earnings per share is based on:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u><b>187,643</b></u>	<u>154,052</u>
	<b>Number of shares</b>	
	<b>2021</b>	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u><b>739,302,000</b></u>	<u>739,302,000</u>

## 11. TRADE AND BILLS RECEIVABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	<b>25,538</b>	40,873
Bills receivable	<u><b>391,641</b></u>	<u>324,219</u>
	<b>417,179</b>	365,092
Impairment	<u><b>(1,208)</b></u>	<u>(1,025)</u>
	<u><b>415,971</b></u>	<u>364,067</u>

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 certain 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:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	<b>20,771</b>	34,904
3 to 6 months	<b>421</b>	2,493
6 to 12 months	<b>2,062</b>	1,553
1 to 2 years	<b>743</b>	546
Over 2 years	<b>333</b>	352
	<u><b>24,330</b></u>	<u>39,848</u>

## 12. TRADE PAYABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	<u><b>21,829</b></u>	<u>16,081</u>

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than 3 months	<b>16,876</b>	12,656
3 to 6 months	<b>595</b>	1,627
6 to 12 months	<b>1,005</b>	612
1 to 2 years	<b>2,185</b>	27
Over 2 years	<b>1,168</b>	1,159
	<u><b>21,829</b></u>	<u>16,081</u>

Included in the trade payables are trade payables of RMB349,000 (2020: RMB595,000) due to a related party controlled by a director of the Group which are repayable within 30 days, which represents credit terms similar to those offered by the related party to its major customers.

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

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Maturity	31 December 2021		31 December 2020	
		Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000
<b>Current</b>					
Lease liabilities	Within 1 year	4.75	402	4.75	–
Bank loans – secured	Within 1 year	1.70-4.35	118,500	4.35	20,000
Bank loans – unsecured	Within 1 year	3.85	50,000	4.35	80,000
Discounted bills receivable	Within 1 year	2.20-3.50	66,097	2.65-3.40	52,450
			<b>234,999</b>		<b>152,450</b>
Analysed into:					
Bank loans repayable:					
	Within one year or on demand		<b>234,597</b>		<b>152,450</b>
Other borrowings repayable:					
	Within one year or on demand		<b>402</b>		<b>–</b>
			<b>234,999</b>		<b>152,450</b>

*Notes:*

- (a) Certain of the Group's bank loans are secured by:
- (i) the pledge of the Group's bills receivable amounting to RMB17,529,000 (2020: Nil);
  - (ii) the pledge of certain of the Group's deposits amounting to RMB55,072,000 (2020: Nil);
  - (iii) No mortgages over the Group's buildings (2020: RMB1,257,000); and
  - (iv) No mortgages over the Group's leasehold land (2020: RMB14,037,000).
- (b) A director of the Company, Jiang Peizhen, has guaranteed certain of the Group's bank loans amounting to RMB50,000,000 (2020: Nil) as at 31 December 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as at 30 March 2022 (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 2021.

“ASEAN”	Association of Southeast Asian Nations
“Audit Committee”	the audit committee of the Board established on 13 February 2015
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Golden Throat Holdings Group Company Limited (金嗓子控股集團有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 2 September 2014
“Director(s)”	director(s) of the Company
“Golden Throat 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
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IPO Proceeds”	the net proceeds from the listing of the Shares on the Stock Exchange
“Listing Date”	15 July 2015



“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“NMPA”	National Medical Products Administration (國家藥品監督管理局) of China, formerly known as China Food and Drug Administration (國家食品藥品監督管理總局)
“OTC”	pharmaceutical products which may, upon receiving the NMPA’s approval, be sold over the counter in China at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 30 June 2015 in respect of the global offering of the Shares
“Reporting Period”	the year ended 31 December 2021
“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. In October 2021, in the 2021 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 43rd in the overall ranking of nonprescription manufacturing enterprises. It was also listed in the Top 500 Chinese Brands at the 14th China Brand Festival in August 2020, and won the honour of “2019 Top 100 Chinese Medicine Enterprises in China Pharmaceutical Industry” in the Top 100 Pharmaceutical Enterprises in China Conference in August 2020. 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.

Since early 2020, in response to the sudden emergence of the novel coronavirus (“**COVID-19**”) pandemic, the Group has been proactively responding to the pandemic, actively resuming work and production, and donating anti-pandemic materials by utilizing all domestic and overseas resources.

Due to the impact of the COVID-19 pandemic, most of the distributors in China delayed their resumption of work in 2020, and there were fewer customers nationwide in pharmacies and supermarkets, resulting in a certain degree of impact on the offline business of Golden Throat Lozenges (OTC) products and Golden Throat Lozenge Series Products.

Amidst the ongoing global COVID-19 pandemic in 2021, the overall situation in China was stable despite sporadic outbreaks in some areas. With the increase in the COVID-19 vaccination rate, the pandemic prevention and control achievements in China were consolidated and China’s economy maintained a stable recovery. The Group’s product sales have also returned to the level prior to the COVID-19 pandemic.

In 2022, the Group will continue to focus on customer needs, optimize and enrich its product portfolio and strengthen its organizational capacity, and concentrate on customer-oriented operation, digital marketing and resource allocation to facilitate the improvement of organizational capabilities, and establish a new logic for the Group’s products to achieve positive and healthy development in the future.

### **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 National Medical Products Administration, as such they can be purchased by the public in pharmacies without requiring the prescription of a qualified medical professional.

As of 31 December 2021, Golden Throat Lozenges (OTC) were exported to the United States, Canada, Russia, the European Union, Australia, Southeast Asia, Middle East, Mexico and Africa, and Mongolia, a newly explored export country in 2019, across five continents of the world in 2019.

For the year ended 31 December 2021, the Group's revenue of Golden Throat Lozenges (OTC) accounted for approximately 90.1% of its total revenue.

### ***Golden Throat Lozenge Series Products – Food***

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

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

As of 31 December 2021, Golden Throat Lozenge Series Products were exported to 17 countries and regions.

For the year ended 31 December 2021, the Group's revenue of Golden Throat Lozenges Series Products accounted for approximately 8.7% of its total revenue.

## **Other Products**

For the year ended 31 December 2021, the Group's revenue of other products accounted for approximately 1.2% of its total revenue. One of the Group's other products is Yinxyngye Tablet (銀杏葉片). Yinxyngye Tablet is mainly designed to facilitate blood circulation, remove blood stasis and dredge energy channels and was approved as a prescription medicine by the NMPA.

Another one of the Group's other products is the Group's new product, Golden Throat Intestinal Series, which is an exclusive nutrition for probiotics, also known as prebiotics. It uses the targeting properties of prebiotics to deliver exclusive nutrition favored by probiotics to specific parts of the probiotic-rich intestine. This results in a significant increase in intestinal probiotics, especially the number and proportion of bifidobacteria. It also increases intestinal probiotics to promote intestinal health.

## **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.

## **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 May 2021, the 21st IAI International Advertising Awards, Golden Throat's brand story "The Treasure of Each Other" won the Gold Award for film and television work. In October 2021, in the 2021 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 43rd in the overall ranking of nonprescription 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 2021, substantially all of the Group's revenue was generated from sales to distributors.

As at 31 December 2021, the Group's distribution network covers all provinces, autonomous regions and municipalities directly under the jurisdiction of the PRC. In 2021, the Group will continue to expand into new markets as it further strengthens its partnerships with its top distributors and pharmacy chains following the consolidation of its distributor channel. In addition, the Group has further streamlined the procurement process for distributors by supplying primary pharmacies and clinics through an online drug procurement platform.

As mentioned above, the Group also has a presence in various overseas markets for its products, including the United States, Canada, Russia, Japan, the European Union, Australia, Southeast Asia, Middle East, Mexico, and Africa 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.

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. Nowadays, the dual development of retail pharmacies and online sales has contributed to an efficient and comprehensive distribution system.

Amidst the ongoing global COVID-19 pandemic in 2021, the overall situation in China was stable despite sporadic outbreaks in some areas. With the increase in the COVID-19 vaccination rate, the pandemic prevention and control achievements in China were consolidated and China's economy maintained a stable recovery. The Group's product sales have also returned to the level prior to the COVID-19 pandemic.

## ***Promoters***

As of 31 December 2021, the Group has entered into certain products promotion cooperation agreements with 11 promoters. The primary reasons for engaging the promoters in certain regions are: (i) their knowledge of local markets and substantial experience in promoting products; and (ii) their familiarity with local municipal level agents and that the Group can benefit from their facilitation and ongoing feedback of such local markets.

## **Market Review**

In recent years, as the global pharmaceutical market grow steadily with the growth of global population and the increasing level of ageing population, the demand for and the types of medical services and medicines have been rising. Besides, the rising living standard gives rise to the increasing awareness of health management among the citizens, which has fostered the steady development of the global pharmaceutical market. Throat diseases are common and are frequently triggered. Given that the particulate matter 2.5 (PM2.5) has been at an unhealthy level in most of the major cities in China for a long time in recent years, air pollution is one of the main causes of respiratory infections, especially pharyngitis. In view of the air pollution problem, consumers are more concerned about protecting their throats, and the pharmaceutical and lozenge market in China is expected to grow continuously. Furthermore, young people these days also pay attention to throat products that can effectively remove oral odor that cool the throat and refresh the mind. The flagship products of the Group, Golden Throat Lozenges (OTC) and Golden Throat Lozenge Series Products, cover a wide range of pharmacies and supermarkets to provide consumers with purchasing channels that are more convenient.

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

## **Future Expansion and Upgrading Plan**

In the future, the Group will remain committed to consumers' demand, continue to optimise and enrich its product portfolio, persistently strengthen its organisational capabilities, allocate resources to focus on customer-centric operation and digital marketing, thereby promoting the enhancement of its organisational capabilities and forming a new growth logic of the Group's products so as to realise positive and healthy development of the Group, continue to strengthen its leading position in the lozenge market and continue to expand its market share in the PRC pharmaceutical and food products markets.

At the beginning of 2020, there has been a profound impact on economic development, industry patterns and lifestyles due to the impact of the COVID-19 pandemic. Despite the short-term turbulence, people have become more concerned about their physical and mental health, and the opportunities in the industry have increased, and the market is still full of momentum and hope. In view of this, the Group continued to strengthen its "single brand, multi-category, multi-channel" development strategy, focusing on product, channel and retail operation capabilities and supply chain management, continuing to attract consumers' attention through creative features, exclusive product sales and innovative diversified channel development to enrich the brand image and influence.

Since the beginning of 2020, people had less outdoor spendings and mainly relied on online purchasing while E-commerce and new retails continue to develop. The Group's Golden Throat WeChat Mini Program Mall was launched in early 2020. We will continue to expand online sales channel in 2022, and we believe there would be breakthroughs in our online business in the future.

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, 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 at 31 December 2021, plants and office buildings of a new medicine production and research and development base of the Group located at Luowei Industrial Concentration Area, Liuzhou, Guangxi Zhuang Autonomous Region and the commissioning of product line and trial production were completed, and the Group completed the overall relocation in the second half of 2021. The new production base covers a usable area of about 60,000 square meters, including research and development centers, production plants, warehouses and administrative office buildings. The fully automated production line in the production plant will improve the efficiency of the production process. A brand-new modern production enterprise will be formed with the new production and research and development base, new factories, new workflow and new production lines, which will completely upgrade the management platform and manufacturing platform of the factories, comprehensively improving the manufacturing quality and technology content of the products, enhancing the comprehensive competitiveness of the Company, and will lay a solid foundation for expanding and strengthening the Company.

In 2021, the Group selected a land of 48 mu (畝) located in the south of our new medicine production and research and development base as the new site for the second phase of our production base of Golden Throat, with the expected usable area of about 50,000 square meters when the construction is completed. A food production plant and a food product research centre will be built in accordance with our plan. Upon completion, a high-tech development and research team as well as smart production and smart sales will be deployed to develop more great health products.

The Golden Throat's second phase construction will help to establish the core leading position of the technical platform of Golden Throat Doctoral Workstation, Golden Throat Professorial Workstation, Golden Throat Throat Research Institute, Golden Throat Gastrointestinal Research Institute and Golden Throat Heart and Brain Research Institute; develop new products such as genetic drugs, traditional Chinese medicine formulas, special medical devices and special health food; and promote the implementation of the second phase of the Golden Throat base to create a continuous innovation to drive the development of the Golden Throat great health industry.

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 31 December 2021, the Group's revenue increased by approximately RMB173.6 million or 26.8% to approximately RMB820.5 million, as compared to approximately RMB646.9 million for the year ended 31 December 2020.

For the year ended 31 December 2021, the Group's revenue generated from sales of Golden Throat Lozenges (OTC) was approximately RMB739.2 million, representing an increased of approximately RMB157.4 million or 27.1% as compared to approximately RMB581.8 million for the year ended 31 December 2020. This is mainly due to the fact that the Group's sales in 2021 have returned to the level prior to the COVID-19 pandemic.



For the year ended 31 December 2021, the Group's revenue from the sales of the Golden Throat Lozenge Series Products amounted to approximately RMB71.7 million as compared to approximately RMB53.7 million for the year ended 31 December 2020, representing an increase of approximately RMB18.0 million or 33.5%, which was mainly due to the fact that the Group's sales in 2021 have returned to the level prior to the COVID-19 pandemic.

For the year ended 31 December 2021, the Group's revenue from sales of other products amounted to approximately RMB9.6 million, representing a decrease of by approximately 15.8% as compared to approximately RMB11.4 million for the year ended 31 December 2020.

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 2021					
	Sales <i>boxes'000</i>	Revenue <i>RMB'000</i>	Cost <i>RMB'000</i>	Gross margin %	Unit price <i>RMB'000</i>	Unit cost <i>RMB'000</i>
Golden Throat Lozenges (OTC)	118,838	739,223	205,904	72.1	6.2	1.7
Golden Throat Lozenge Series Products	12,836	71,669	27,028	62.3	5.6	2.1

	Year ended 31 December 2020					
	Sales <i>boxes'000</i>	Revenue <i>RMB'000</i>	Cost <i>RMB'000</i>	Gross margin %	Unit price <i>RMB'000</i>	Unit cost <i>RMB'000</i>
Golden Throat Lozenges (OTC)	90,639	581,844	139,521	76.0	6.4	1.5
Golden Throat Lozenge Series Products	9,733	53,688	19,271	64.1	5.5	2.0

### Cost of Sales

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

The Group's cost of sales increased from approximately RMB171.3 million for the year ended 31 December 2020 to approximately RMB242.8 million for the year ended 31 December 2021. The increase in cost of sales was mainly attributable to the increase in the sales volume of Golden Throat Lozenges (OTC).

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Materials	<b>156,596</b>	<b>64.5%</b>	117,408	68.5%
Labor costs	<b>45,708</b>	<b>18.8%</b>	39,259	22.9%
Depreciation	<b>26,712</b>	<b>11.0%</b>	5,293	3.1%
Other costs	<b>13,791</b>	<b>5.7%</b>	9,338	5.5%
Total	<b><u>242,807</u></b>	<b><u>100%</u></b>	<u>171,298</u>	<u>100%</u>

### **Gross Profit**

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

The Group's gross profit for the year ended 31 December 2021 was approximately RMB577.7 million, as compared to approximately RMB475.6 million for the year ended 31 December 2020, representing an increase of approximately RMB102.1 million, or 21.5%. The increase in gross profit was mainly due to the increase in the Group's revenue. The Group's gross profit margin decreased to 70.4% for the year ended 31 December 2021 from 73.5% for the corresponding period in 2020. The decrease was due to higher material costs and increased depreciation.

### **Other Income and Gain**

For the year ended 31 December 2021, the Group's other income and gain decreased to approximately RMB32.5 million, as compared to approximately RMB66.1 million for the year ended 31 December 2020, representing a decrease of approximately RMB33.6 million. The decrease was due to a substantial amount of gains received by the Group from a settled litigation in 2020.

## **Selling and Distribution Expenses**

The Group's selling and distribution expenses primarily consisted of (i) advertising expenses, (ii) marketing expenses, (iii) employee benefit expenses, and (iv) other miscellaneous expenses. For the year ended 31 December 2021, the Group's selling and distribution expenses amounted to approximately RMB261.6 million, as compared to approximately RMB253.3 million for the year ended 31 December 2020, representing an increase of approximately RMB8.3 million, or 3.3%. The increase was primarily due to the increase in promotion expenses as the Group aimed to boost its sales following the COVID-19 pandemic was receding.

## **Administrative Expenses**

The Group's administrative expenses primarily consisted of (i) salaries and staff welfare expenses for management and administrative personnel, (ii) travel and office expenses, (iii) research and development costs, (iv) depreciation and amortisation costs, (v) amortisation of right-of-use assets, (vi) professional services fees, and (vii) other miscellaneous expenses. For the year ended 31 December 2021, the Group's administrative expenses amounted to approximately RMB103.2 million, as compared to approximately RMB83.5 million for the year ended 31 December 2020, representing an increase of approximately RMB19.7 million, or 23.6%. The increase was mainly due to the increase in research and development expenses.

## **Other Expenses**

Other expenses of the Group mainly consist of donation expense. For the year ended 31 December 2021, the Group's other expenses amounted to approximately RMB0.7 million, as compared to approximately RMB3.5 million for the year ended 31 December 2020, representing a decrease of approximately RMB2.8 million. The decrease was mainly due to the decrease in donation for the COVID-19 pandemic.

## **Finance Costs**

For the year ended 31 December 2021, the Group's finance costs amounted to approximately RMB8.0 million, as compared to approximately RMB11.5 million for the year ended 31 December 2020, representing a decrease of approximately RMB3.5 million, or 30.4%. The decrease was mainly due to the lower interest rates of interest-bearing bank and other borrowings.

## **Income Tax Expense**

For the year ended 31 December 2021, the Group's income tax expense amounted to approximately RMB49.2 million, as compared to approximately RMB35.8 million for the year ended 31 December 2020, representing an increase of approximately RMB13.4 million, or 37.4%. The effective tax rate for the year ended 31 December 2021 and the corresponding period in 2020 was 20.8% and 18.9% respectively.

## **Net Profit**

For the year ended 31 December 2021, the Group's net profit amounted to approximately RMB187.6 million, as compared to approximately RMB154.1 million for the year ended 31 December 2020, representing an increase of approximately RMB33.5 million, or 21.7%. 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 2021, the Group had net current assets of approximately RMB855.7 million, as compared to approximately RMB696.4 million as of 31 December 2020. The current ratio of the Group was approximately 2.5 as at 31 December 2021 and 31 December 2020.

### **Borrowings and the Pledge of Assets**

As of 31 December 2021, the Group had an aggregate interest-bearing bank borrowings and other borrowings of approximately RMB235.0 million, as compared to approximately RMB152.5 million as of 31 December 2020. All the bank borrowings are repayable within one year. Bank borrowings and other borrowings increased by RMB82.5 million as compared to that of 31 December 2020.

As of 31 December 2021, 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 2021, certain of the Group's bank loans are secured by:

- (i) the pledge of the Group's bills receivable amounting to RMB17,529,000 (2020: Nil);
- (ii) the pledge of certain of the Group's deposits amounting to RMB55,072,000 (2020: Nil);
- (iii) No mortgages over the Group's buildings (2020: RMB1,257,000); and
- (iv) No mortgages over the Group's leasehold land (2020: RMB14,037,000).

A director of the Group, Jiang Peizhen, has guaranteed certain of the Group's bank loans amounting to RMB50,000,000 (2020: Nil) as at 31 December 2021.

### **Gearing Ratio**

As of 31 December 2021, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to approximately 17.2% from approximately 12.5% as of 31 December 2020.

### **Contingent Liabilities**

As of 31 December 2021, the Group did not have any significant contingent liabilities.

### **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\$6.7 million and US\$11.1 million as of 31 December 2021, respectively. The Group has exposure to foreign exchange risk that arises from fluctuations in the exchange rates of HKD to RMB and USD to RMB.

As at 31 December 2021, the Group did not use any financial instruments to hedge its foreign exchange risk.

## **EMPLOYEES AND EMOLUMENTS POLICY**

As at 31 December 2021, the Group employed a total of 937 full-time employees, as compared to a total of 938 full-time employees as at 31 December 2020. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB79.4 million for the year ended 31 December 2021 as compared to approximately RMB74.2 million for the corresponding period in 2020. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end bonuses are offered to those staffs with outstanding performances to attract and retain capable employees of the Group.

The Group adheres to the concept of “benefiting mankind and repaying society”, and currently employs more than 100 disabled employees. In August 2020, the Group provided employees with Baojun new energy electric vehicles produced by Liuzhou SGMW (柳州上汽通用五菱) for employees commuting to work. The Group ordered over 700 new energy electric vehicles from SGMW, which would not only solve the transportation problem of employees with long commuting distance, but also effectively stimulate domestic demand and help economic growth and recovery.

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 2021, the Group did not hold any significant investments or make any material acquisitions or disposals of subsidiaries, associates or joint ventures.

## **SIGNIFICANT SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

The Group does not have any significant subsequent events after the Reporting Period.

## PROSPECTS

As a national brand, Golden Throat had experienced the challenge from the market and a vast range of consumers. At present, against the market trend of upgraded consumption, the original aspiration of the Group, to provide service for the health of a vast range of consumers will not be changed. Currently, the Company is committed to building a new base as the health industrial park of Golden Throat. In the coming ten years, the focus of the Golden Throat great health development plan will be on enhancing the core competitiveness of the Group.

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 in 2022. 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 AND CHANGE IN USE OF PROCEEDS

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. Details of the use of the IPO Proceeds are set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

From the Listing Date to 31 December 2021, the Group had utilized approximately HK\$638.78 million, representing approximately 70.23% of the IPO Proceeds. On 30 March 2022, the Board resolved to change the use of the unutilized IPO Proceeds. Set out below is a summary of the utilization and unutilization and proposed changes of the use of IPO Proceeds:

Use of IPO Proceeds	Planned use of IPO Proceeds <i>HK\$'000</i>	Amount utilized as of 31	Amount unutilized as of 31	Revised allocation of IPO Proceeds <i>HK\$'000</i>
		December 2021 <i>HK\$'000</i>	December 2021 <i>HK\$'000</i>	
Construction in Luwei Industrial Concentration Area	208,982	208,982	–	–
Conversion of headquarters into a food production plant and food research centre	189,984	–	189,984	–
Construction of food production plant and food research center	–	–	–	189,984
Market expansion	286,685	286,685	–	–
Product development	82,326	42,318	40,008	40,008
Establishment of Chinese herbs processing base	37,997	–	37,997	37,997
Refinement and Upgrade of electronic code system	12,666	9,835	2,831	2,831
General working capital	90,960	90,960	–	–

HK\$189,984,000 (or approximately 21% of the IPO Proceeds) was initially planned to be utilized to convert its current headquarters at No. 28, Yuejin Road, Liuzhou, Guangxi Zhuang Autonomous Region into a food production plant and a food research centre, of which:

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

The headquarters of our Group is located in the central area of Liuzhou. In the wake of urban development and the environmental protection planning of the city in recent years, the central area of the city is no longer suitable for the production base of the Group. The Group expected that it would be difficult for us to obtain approval from local authorities for our plan to build a food production plant in our headquarters.

The Group has identified a piece of land of 48 mu (畝) located in the south of our new medicine production and research and development base at the south of 28 Fengxiang Road, Liuzhou, Guangxi as the new site for the construction of the second phase of the production base of Golden Throat, with the expected usable area of about 50,000 square meters when the construction is completed. In accordance with our plan, the Group will build a food production plant and a food and medicine research centre on the selected site.

The Board considered the impact of the proposed changes in the use of the IPO Proceeds on the Group's business and believes that, in view of the Group's operation and business development, the aforementioned change in the use of IPO Proceeds will help the Group achieve the plan to set up a food production plant and a food research centre, and it is appropriate and in the interests of the Company and its shareholders as a whole. The Board will continuously assess the plans for the use of IPO Proceeds to cope with the changing market conditions and strive for better performance for the Group.

Other uses of IPO Proceeds remain unchanged. As at 31 December 2021, the Group has not utilized any IPO Proceeds in relation to the establishment of a Chinese herbs processing base on our current site in Laibin, Guangxi Zhuang Autonomous Region. The Group plans to spend approximately HK\$37,997,000 (or approximately 4% of the IPO Proceeds) on the aforementioned project and commence the project in 2022.



## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK\$0.18 per share for the year ended 31 December 2021 to the shareholders of the Company. The final dividend is subject to the approval of shareholders of the Company at the annual general meeting of the Company (the “Annual General Meeting”) to be held on Friday, 13 May 2022 and, if approved, is expected to be paid on or before 13 June 2022 to the Shareholders whose names appear on the register of members of the Company on 27 May 2021.

## **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 10 May 2022 to 13 May 2022, 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 6 May 2022. 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 27 May 2022, 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 26 May 2022.

## **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 2021.

Under code provision A.1.8 of the CG Code (which is re-numbered as code provision C.1.8 of part 2 of CG Code with effect from 1 January 2022), 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 2021.

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

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries for the year ended 31 December 2021.

## **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 2021. The Audit Committee has also reviewed the effectiveness of the Group's risk management and internal control systems and considered such systems in place to be effective and adequate.

## **PUBLICATION OF THE AUDITED ANNUAL RESULTS AND 2021 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](http://www.hkexnews.hk)) and the Company ([www.goldenthroat.com](http://www.goldenthroat.com)), and the annual report for the year ended 31 December 2021 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, 30 March 2022

*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 and Mr. HE Jinqiang as executive Directors, and Mr. LI Hua, Mr. ZHU Jierong and Mr. CHENG Yiqun as independent non-executive Directors.*