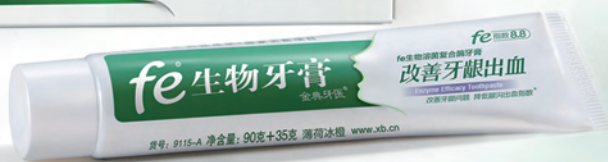


China Golden Classic Group Limited 中國金典集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8281



Interim Report 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of China Golden Classic Group Limited (the “Company” and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Li Qiuyan (*Chairman*)
Mr. Tong Xing (*Chief Executive Officer*)
Ms. Du Yongwei

Independent non-executive Directors

Mr. Ye Jingzhong
Mr. Qian Zaiyang
Mr. Tang Wai Yau

AUDIT COMMITTEE

Mr. Tang Wai Yau (*Chairman*)
Mr. Ye Jingzhong
Mr. Qian Zaiyang

REMUNERATION COMMITTEE

Mr. Ye Jingzhong (*Chairman*)
Mr. Qian Zaiyang
Ms. Li Qiuyan

NOMINATION COMMITTEE

Ms. Li Qiuyan (*Chairman*)
Mr. Ye Jingzhong
Mr. Qian Zaiyang

COMPLIANCE OFFICER

Ms. Li Qiuyan

COMPANY SECRETARY

Mr. Lau Shun Pong Johnson

COMPLIANCE ADVISER

First Shanghai Capital Limited

REGISTERED OFFICE

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Cayman Islands

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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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133 Wan Chai Road
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Jiangyin Rural Commercial Bank
Co., Limited
Yaosai Sub-branch

AUDITORS

SHINEWING (HK) CPA Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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WEBSITE

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STOCK CODE

8281

The board of Directors (the “Board”) of China Golden Classic Group Limited is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2017 together with comparative figures for the last corresponding period as follows:

Condensed Consolidated Statement of Profit Or Loss and Other Comprehensive Income

For the three months and six months ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Turnover	3	57,629	60,336	107,576	117,840
Cost of sales		(32,124)	(33,215)	(57,434)	(60,156)
Gross profit		25,505	27,121	50,142	57,684
Other income		1,429	895	2,067	1,476
Selling and distribution costs		(20,856)	(15,321)	(42,237)	(31,713)
Administrative expenses		(9,313)	(13,759)	(17,053)	(22,208)
Finance costs		(646)	(527)	(1,137)	(1,000)
(Loss) profit before tax		(3,881)	(1,591)	(8,218)	4,239
Income tax credit (expenses)	4	(96)	285	(106)	(595)
(Loss) profit for the period	5	(3,977)	(1,306)	(8,324)	3,644
Other comprehensive (expense) income for the period					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		307	305	14	(429)
Total comprehensive (expense) income for the period attributable to owners of the Company		(3,670)	(1,001)	(8,310)	3,215
(Loss) Earnings per share Basic and diluted (RMB cents)	6	(0.40)	(0.17)	(0.83)	0.49

Interim Results

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	152,729	139,292
Prepaid lease payments		18,690	18,916
Intangible assets		–	59
Deposits paid for acquisition of property, plant and equipment		2,221	4,458
Deferred tax assets		933	933
		174,573	163,658
Current assets			
Inventories		34,997	28,609
Trade and other receivables	9	54,774	60,704
Prepaid lease payments		449	449
Bank balances and cash		29,963	78,942
		120,183	168,704
Current liabilities			
Trade and other payables	10	51,898	75,303
Income tax payables		1,683	474
Bank and other borrowings	11	45,707	52,807
Deferred revenue		83	83
		99,371	128,667
Net current liabilities			
		20,812	40,037
		195,385	203,695
Capital and reserves			
Share capital	12	8,606	8,606
Reserves		186,779	195,089
		195,385	203,695

Interim Results

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017 (audited)	8,606	74,386	15	42,841	2,203	75,644	203,695
Loss for the period	-	-	-	-	-	(8,324)	(8,324)
Other comprehensive income for the period:							
Transfer to statutory reserve	-	-	-	-	-	-	-
Exchange difference arising on translation of foreign operations	-	-	-	-	14	-	14
Total comprehensive income for the period	-	-	-	-	14	(8,324)	(8,310)
At 30 June 2017 (unaudited)	8,606	74,386	15	42,841	2,217	67,320	195,385
At 1 January 2016 (audited)	-	-	15	38,173	2,983	69,710	110,881
Profit for the period	-	-	-	-	-	3,644	3,644
Other comprehensive income for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	(429)	-	(429)
Total comprehensive income for the period	-	-	-	-	(429)	3,644	3,215
At 30 June 2016 (unaudited)	-	-	15	38,173	2,554	73,354	114,096

Interim Results

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Net cash generated (used in) from operating activities	(27,621)	2,167
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(12,394)	(20,723)
Others	(2,073)	(1,696)
Net cash used in investing activities	(14,467)	(22,419)
FINANCING ACTIVITIES		
Bank and other borrowings raised	41,951	59,796
Repayment of bank borrowings	(48,549)	(34,000)
Repayment to a shareholder	–	(1,995)
Repayment to related parties	–	(13,287)
Others	195	(1,681)
Net cash generated (used in) from financing activities	(6,403)	8,833
Net decrease in cash and cash equivalents	(48,491)	(11,419)
Cash and cash equivalents at 1 January	78,942	25,344
Effect of foreign exchange rate changes	(488)	(8)
Cash and cash equivalents at 30 June, representing bank balances and cash	29,963	13,917

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

China Golden Classic Group Limited (the “Company”) is a limited liability company incorporated in Cayman Islands and its shares are listed on the GEM of the Stock Exchange on 8 July 2016.

The Company is engaged in investment holding during the period. The subsidiaries of the Company are principally engaged in the manufacture and trading of oral care, leather care and household hygiene products.

The unaudited condensed consolidated interim financial information (“Financial Information”) of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated financial information of the Group should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 December 2016. The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2016.

The functional currency of the Company is HK\$. The functional currency of the Group’s principal subsidiaries is Renminbi (“RMB”). As the Group mainly operates in the PRC, the directors of the Company consider that it is appropriate to present the Financial Information in RMB.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial information are consistent with those followed in the preparation of the annual audited consolidated financial statements of the Group for the year ended 31 December 2016, except as described below.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following amendments (“new and revised HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of the new and revised HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Annual Improvements to HKFRSs 2014–2016 Cycle

Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12.

The amendments to HKFRS 12 clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all other HKFRS 12 requirements were applicable for these interests.

The amendments should be applied retrospectively. The directors of the Company considered that the application of the amendments to HKFRS 12 has had no material impact on the Group’s condensed consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 results in additional disclosures on the Group’s financing activities, especially reconciliation between the opening and closing balances for liabilities arising from financing activities. The Group will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide guidance on how an entity should determine future taxable profits to support the recognition of a deferred tax asset arising from a deductible temporary difference.

The amendments should be applied retrospectively. The directors of the Company considered that the application of the amendments to HKAS 12 has no material impact on the Group's condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- 1) Oral care products segment reports manufacture and sales of oral care products.
- 2) Leather care products segment reports manufacture and sales of leather care products.
- 3) Household hygiene products segment reports manufacture and sales of household hygiene products.
- 4) Others segment reports manufacture and sales of other products.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenues and results

Segment turnover represents revenue derived from the sales of oral care, leather care, household hygiene products.

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the six months ended 30 June 2017 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Others RMB'000	Total RMB'000
Segment revenue	64,657	13,643	29,276	–	107,576
Segment profit	34,998	5,191	9,953	–	50,142
Unallocated income					2,067
Unallocated expenses					(59,290)
Finance costs					(1,137)
Consolidated loss before tax					(8,218)

For the six months ended 30 June 2016 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Others RMB'000	Total RMB'000
Segment revenue	64,948	16,993	35,899	–	117,840
Segment profit	37,290	6,774	13,620	–	57,684
Unallocated income					1,476
Unallocated expenses					(53,921)
Finance costs					(1,000)
Consolidated profit before tax					4,239

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

For the three months ended 30 June 2017 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Others RMB'000	Total RMB'000
Segment revenue	37,644	4,555	15,430	–	57,629
Segment profit	18,577	1,359	5,569	–	25,505
Unallocated income					1,429
Unallocated expenses					(30,169)
Finance costs					(646)
Consolidated loss before tax					(3,881)

For the three months ended 30 June 2016 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Others RMB'000	Total RMB'000
Segment revenue	34,707	5,394	20,235	–	60,336
Segment profit	18,754	1,598	6,769	–	27,121
Unallocated income					895
Unallocated expenses					(29,080)
Finance costs					(527)
Consolidated loss before tax					(1,591)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of selling and distribution expenses, administrative expenses, other income and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

3. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products	263,860	252,487
Unallocated	30,896	79,875
Total assets	294,756	332,362

Segment liabilities

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products	51,547	74,606
Unallocated	47,824	54,061
Total liabilities	99,371	128,667

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

4. INCOME TAX CREDIT (EXPENSES)

Income tax in the condensed consolidated statement of profit or loss represents:

	Three months ended 30 June		Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current tax				
PRC Enterprise Income Tax	(96)	(641)	(117)	(1,521)
Deferred tax	-	926	11	926
	(96)	285	(106)	(595)

- (a) Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.
- (b) No provision for Hong Kong Profits Tax had been made for the six months ended 30 June 2017 (2016: nil) as the Group did not have any assessable profits arising in Hong Kong.
- (c) Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries registered in the PRC is 25%.
- (d) One of the Group's subsidiaries registered in the PRC is recognised as a High and New-technology Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 15% for the six months ended 30 June 2017 (2016: 15%).

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

5. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Listing expenses	-	3,768	-	6,179
Depreciation of property, plant and equipment	2,618	1,322	3,415	2,663
Amortisation of intangible assets	24	36	59	71
Amortisation of prepaid lease payments	112	112	224	224
Cost of inventories recognised as expenses	32,124	33,215	57,434	60,156

6. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the period attributable to the owners of the Company is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
(Loss) profit attributable to owners of the Company	(3,977)	(1,306)	(8,324)	3,644

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

6. (LOSS) EARNINGS PER SHARE (Continued) Number of shares

	Three months ended 30 June		Six months ended 30 June	
	2017 '000 (Unaudited)	2016 '000 (Unaudited)	2017 '000 (Unaudited)	2016 '000 (Unaudited)
Weighted average number of ordinary shares	1,000,000	750,000	1,000,000	750,000

Note:

The weighted average number of ordinary shares in issue during the three months and six months ended 30 June 2016 have been retrospectively adjusted for the effect of the capitalisation issue as stated in the prospectus of the Company dated 30 June 2016 (the "Prospectus") as if such capitalisation issued shares were issued at the beginning of the three months and six months ended 30 June 2016.

No adjustment has been made to the basic (loss) earnings per share amount for the three months and six months ended 30 June 2017 and 2016 as the Group had no potentially dilutive ordinary shares in issue during these periods.

7. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2017 (2016: nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, additions to the Group's property, plant and equipment were approximately RMB 16,852,000 (2016: RMB 9,817,000).

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

9. TRADE AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade and bills receivables	34,593	50,905
Less: allowance for impairment of trade receivables	(1,937)	(1,937)
	32,656	48,968
Deposits and other receivables	2,629	1,205
Advances to independent third parties	907	1,997
Less: allowance for impairment of deposits and other receivables	(72)	(72)
	3,464	3,130
Prepayments	18,932	8,884
Less: allowance for impairment of prepayments	(278)	(278)
	18,654	8,606
	54,774	60,704

The Group allows a credit period of 0 to 60 days to its trade customers. The following is an aged analysis of trade and bills receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period.

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
0–30 days	22,603	45,415
31–60 days	3,184	1,667
61–90 days	441	175
Over 3 months but less than 6 months	5,021	1,469
Over 6 months but less than 1 year	1,407	242
	32,656	48,968

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

10. TRADE AND OTHER PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade and bills payables	24,714	32,872
Receipts in advance	14,339	15,668
Accruals and other payables	12,069	18,642
Payables for property, plant and equipment	776	8,121
	51,898	75,303

The following is an aged analysis of trade and bills payables presented based on the invoice date.

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
0–30 Days	13,058	23,808
31–60 Days	5,941	4,837
61–90 Days	2,306	1,781
Over 3 months but less than 6 months	2,625	1,330
Over 6 months but less than 1 year	490	861
Over 1 year	294	255
	24,714	32,872

The average credit period on purchases of goods is 30 to 60 days.

11. BANK AND OTHER BORROWINGS

The Group obtained new and repaid bank and other borrowings of RMB41,951,000 and RMB48,549,000 (2016: RMB59,796,000 and RMB34,000,000) respectively during the six months ended 30 June 2017.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

12. SHARE CAPITAL

	Number of shares '000	Nominal value of ordinary shares HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2016 (audited)	38,000	380
Increase in authorised share capital pursuant to written resolutions of the shareholder of the Company on 17 June 2016	1,962,000	19,620
At 30 June 2016 (unaudited), 1 January 2017 (audited) and 30 June 2017 (unaudited)	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2016 (audited)	20	–
Issue of new shares by way of capitalisation (a)	749,980	7,500
At 30 June 2016 (unaudited)	750,000	7,500
Issue of new shares by way of placing (b)	250,000	2,500
At 1 January 2017 (audited) and 30 June 2017 (unaudited)	1,000,000	10,000
Equivalent to RMB'000		8,606

(a) Pursuant to a resolution in writing of the shareholders of the Company passed on 17 June 2016, 749,980,000 ordinary shares of the Company of HK\$0.01 each were credited as fully paid by way of capitalisation of the amount of approximately HK\$7,499,800 (equivalent to approximately RMB6,454,000) standing to the credit of the share premium account of the Company.

(b) On 8 July, 2016, 250,000,000 ordinary shares of the Company of HK\$0.01 each were issued by way of placing to public investors at a placing price of HK\$0.43 per share (the "Placing"), resulting in an increase in share capital of HK\$2,500,000 (equivalent to approximately to RMB 2,152,000 and an interest in a share premium of HK\$105,000,000 (equivalent to approximately RMB90,358,000).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

13. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Commitment under operating lease

The Group as lessor

The Group had contracted with tenants under operating lease arrangement, with leases negotiated for terms ranging from 1 to 3 years (2016: 1 to 3 years). At 30 June 2017 and 31 December 2016, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	695	613
In the second to fifth years inclusive	300	600
	995	1,213

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	223	306
In the second to fifth years inclusive	41	51
	264	357

Operating lease payments represent rentals payable by the Group for certain of its office premises. The lease typically runs for an initial term of 1 to 2 years (2016: 1 to 2 years), with an option to renew the lease when all terms are renegotiated and rentals are fixed over the relevant lease term.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

13. COMMITMENTS (Continued)

(b) Capital commitments

Capital commitments in respect of acquisition of plant and equipment at the end of the reporting period were as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted but not provided for	1,100	8,650

14. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following transactions with its related parties:

- (a) During the six months ended 30 June 2017, the Group was granted the right to use certain trademarks registered by a company controlled by the spouse of Ms. Du Yongwei, a director of the Company, at nil consideration (2016: nil).
- (b) During the six months ended 30 June 2017, the Group rented an office premises from Ms. Li Qiuyan, a shareholder of the Company, with rental expenses of approximately nil (2016: nil).
- (c) During the six months ended 30 June 2017, the Group incurred advertising expenses to a company controlled by the spouse of Mr. Tong Xing a director of the Company, of approximately RMB371,000 (2016: RMB197,000).
- (d) Key management compensation
The remuneration of directors and other members of key management during the period are as follows:

	30 June 2017 RMB'000 (Unaudited)	30 June 2016 RMB'000 (Unaudited)
Salaries and other benefits in kind	1,111	916
Retirement benefits scheme contributions	81	24
	1,192	940

BUSINESS REVIEW

For the six months ended 30 June 2017, the Group recorded a turnover of approximately RMB107.6 million, decreased by approximately 8.7% as compared to the last corresponding period; and a net loss of approximately RMB8.3 million, decreased by approximately 330.6% compared to the last corresponding period. Net loss margin was approximately 7.7% as compared to net profit margin of 3.1% in the last corresponding period, representing a change of approximately 10.8 percentage points. In addition, the Group's overall gross profit margin decreased from approximately 49.0% for the six months ended 30 June 2016 to approximately 46.6% for the six months ended 30 June 2017. The decrease in gross profit margin was primarily due to the reduction of selling prices of leather care products and household hygiene products for the sales promotion activities.

The incurrence of net loss was mainly attributable to the increase in the advertising and promotion expenses and the temporary reduction of selling price due to the sales promotion activities during the six months ended 30 June 2017. The Directors believed that the increased advertising and promotion expenses would help the Company to promote its products and enhance its long-term competitiveness.

PROSPECTS AND OUTLOOKS

During the first half of 2017, the Company continued the renovation of the new production facilities, which are expected to be put into use during late 2017. The Directors believe that the new production facilities will enhance the Group's productivity and product development capabilities, in particular to our oral care products, so that the Company's products' competitiveness can be further strengthened.

The economic outlook in China for the second half of 2017 is still challenging. Competition in local market is expected to be fierce. To maintain our competitiveness in the market, the Company will continue to promote "Fe" trademark and its oral care products and expand such trademark in other new products. On the other hand, the Company will also continue to develop new products (including formulae and product design) for the household hygiene products segment and leather care products segment to respond to the rapidly changing market demands.

Management Discussion and Analysis

RESULTS OF OPERATION

Turnover for the six months ended 30 June 2017 was approximately RMB107.6 million, representing a decrease of 8.7%, as compared to approximately RMB117.8 million for the last corresponding period. During the six months ended 30 June 2017, the Group incurred a net loss of approximately RMB8.3 million, as compared to the net profit of approximately RMB3.6 million for the last corresponding period. The basic loss per share was RMB0.83 cents for the six months ended 30 June 2017 while the basic earnings per share was RMB0.49 cents for the last corresponding period.

Turnover

The Group recorded turnover of approximately RMB107.6 million for the six months ended 30 June 2017, decreased by approximately 8.7% as compared to approximately RMB117.8 million for the same period last year.

The decrease of turnover was mainly resulted from the decrease of turnover of household hygiene products by approximately RMB6.6 million or 18.4%, from approximately RMB35.9 million for the six months ended 30 June 2016 to approximately RMB29.3 million for the six months ended 30 June 2017. Turnover of leather care products also recorded a drop of approximately RMB3.4 million or 20.0%, from approximately RMB17.0 million for the six months ended 30 June 2016 to approximately RMB13.6 million for the six months ended 30 June 2017. The decrease of the turnover of leather care products and household hygiene products was mainly attributable to the drop of sales volume and reduction of selling price for the sales promotion activities during the period. In addition, the drop in turnover of oral care products was considered insignificant, by approximately RMB0.2 million or 0.3%, from approximately RMB64.9 million for the six months ended 30 June 2016 to approximately RMB64.7 million for the six months ended 30 June 2017.

Cost of sales

Cost of sales decreased from approximately RMB60.2 million for the six months ended 30 June 2016 to approximately RMB57.5 million for the six months ended 30 June 2017, showing a downturn of approximately 2.7 million or 4.5%. The decrease was due to the declined usage of raw materials and consumables reflecting the reduced turnover.

Management Discussion and Analysis

Gross profit and gross profit margin

Gross profit decreased from approximately RMB57.6 million for the six months ended 30 June 2016 to approximately RMB50.1 million for the six months ended 30 June 2017, representing a decrease of approximately 13.0%. The gross profit margin was decreased to 46.6%, representing 2.4 percentage points' difference as compared to 49.0% for the last corresponding period. Such decrease was mainly attributable to the reduction of selling prices of leather care products and household hygiene products due to promotion activities during the six months ended 30 June 2017.

Selling and distribution costs

Selling and distribution expenses incurred for the six months ended 30 June 2017 was approximately RMB42.2 million, reflecting an increase of approximately RMB10.5 million or approximately 33.1%, as compared to approximately RMB31.7 million for the last corresponding period, which was mainly driven by the increased advertising and promotion activities incurred during the six months ended 30 June 2017.

Administrative expenses

Administrative expenses incurred for the six months ended 30 June 2017 was approximately RMB17.1 million, representing a decrease of approximately RMB5.1 million or approximately 23.0%, as compared to approximately RMB22.2 million for the last corresponding period.

Such decrease was primarily because the Group was no longer required to incur listing expenses during the period (2016: RMB6.2 million). Except for the impact of the listing expenses, the administrative expenses increased by approximately RMB1.1 million or approximately 6.9%, which was mainly attributed to the increase of the additional legal and professional fees as well as compliance costs incurred by the Company to fulfill its reporting duties as a public company since July 2016.

Finance costs

Interest expenses incurred for the six months ended 30 June 2017 was approximately RMB1.1 million, increased by approximately RMB0.1 million or approximately 10.0% as compared to approximately RMB1.0 million for the last corresponding period. The rise was driven by the increase of the average interest-bearing loans during the six months ended 30 June 2017 as compared to the last corresponding period.

Management Discussion and Analysis

Loss for the period

As a result of the foregoing, we incurred a net loss of RMB8.3 million for the six months ended 30 June 2017, representing a difference of RMB11.9 million or 330.6% as compared to the net profit of approximately RMB3.6 million for the six months ended 30 June 2016. Net loss margin for the six months ended 30 June 2017 was approximately 7.7%, representing a decrease of approximately 10.8 percentage points as compared to the net profit margin of 3.1% at the corresponding period last year.

INTERIM DIVIDEND

The Board has determined not to declare interim dividend for the six months ended 30 June 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity in the Group as at 30 June 2017 was approximately RMB195.4 million (31 December 2016: RMB203.7 million). The Group had current assets of approximately RMB120.2 million (31 December 2016: RMB168.7 million) and current liabilities of approximately RMB99.4 million (31 December 2016: RMB128.7 million). The current ratio was 1.21 and 1.31 as at 30 June 2017 and 31 December 2016, respectively.

During the six months ended 30 June 2017, the Group generally financed its operations with internally generated cash flow and credit facilities provided by its principal bankers in China. As at 30 June 2017, the Group had outstanding bank borrowings of approximately RMB45.7 million (31 December 2016: RMB35.3 million). These bank loans were secured by certain properties, prepaid lease payments and trademarks owned by the Group. The Group has also fully repaid a short-term interest-bearing loan of approximately RMB17.5 million to an independent third party. As at 30 June 2017, the Group maintained bank balances and cash of approximately RMB30.0 million (31 December 2016: RMB79.0 million). The Group's net cash-to-equity ratio (total bank and other borrowings net of cash and cash equivalents over shareholders' equity) was 0.08 and (0.13) as at 30 June 2017 and 31 December 2016, respectively. The Group's gearing ratio (total bank and other borrowings over shareholders' equity) was 23.4% and 25.9% as at 30 June 2017 and 31 December 2016, respectively.

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

CAPITAL COMMITMENTS

Save as disclosed above, as at 30 June 2017, the Group had no material capital commitments.

Management Discussion and Analysis

CHARGE OVER ASSETS OF THE GROUP

As at 30 June 2017, the Group had prepaid lease payment, trademarks and charge over the Group's buildings of approximately RMB57.1 million (31 December 2016: approximately RMB6.8 million), nil (31 December 2016: approximately RMB0.1 million) and RMB19.1 million (31 December 2016: approximately RMB17.1 million) respectively. These prepaid lease payment, trademarks and charged buildings were secured to general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2017. Save as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 30 June 2017.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no material contingent liabilities.

EMPLOYEES

As at 30 June 2017, the Group had 318 full-time employees. The Group has maintained good relationship with its employees, and provided them with training programs, competitive compensation and incentives. The staffs are remunerated based on their job nature, scope of duty, work performance, professional experience and prevailing market situation. The Group's remuneration packages comprise salary and discretionary annual bonus.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to 30 June 2017.

Business plan as set out in the Prospectus

Progress up to 30 June 2017

Expand the production and warehouse capacity

- | | |
|---|---|
| <ul style="list-style-type: none">– Expand the annual production capability of the oral care products from 3,720 tons to 9,000 tons | The construction of the new production facilities for the oral care products was completed and they are currently under renovation. |
|---|---|

Management Discussion and Analysis

Business plan as set out in the Prospectus

- Construct a new inventory warehouse
- Settle outstanding payment for the construction in progress

Progress up to 30 June 2017

The Group is planning to create additional inventory warehouse area in the existing factory premises.

The Group has settled the outstanding payments for the construction of the new production facilities and office building.

Strengthen the products research and development capabilities

- Purchase various laboratory and test equipment
- Employ additional research and development personnel

The Group has purchased various laboratory and test equipment and put them in use in the research and development centre since August 2016.

The Group has employed 2 additional research and development personnel since mid-2016, increasing the Group's total research and development personnel to 11 as of 30 June 2017.

Strengthen the leading position of the brands by advertising and promotion

- Place television commercials and advertise in newspapers and on the internet

The Group has spent RMB3.3 million on the television commercials and advertisements in newspapers and on the internet during the six months ended 30 June 2017.

Expand the sales network

- Employ additional sales and marketing personnel

The Group has increased the hiring of additional temporary sales and marketing personnel through service agents during different periods since June 2016.

Management Discussion and Analysis

USE OF PROCEEDS FROM THE PLACING

The net proceeds from the Placing were approximately HK\$76.2 million, which was based on the final placing price of HK\$0.43 per share after deducting the underwriting fees and other expenses related to the Placing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus. Up to 30 June 2017, the net proceeds from the Placing had been applied as follows:

	Planned use of proceeds up as stated in the Prospectus <i>HK\$' million</i>	Actual use of proceeds up to 30 June 2017 <i>HK\$' million</i>
Expand production and warehouse capacity	33.5	21.8
Strengthen the products research and development capabilities	7.0	6.1
Strengthen the leading position of the brand by advertisement and promotion	21.2	10.3
Expand the sales network	18.5	17.4
General working capital	7.9	4.0
Total	88.1	59.6

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, are as follows:

Long position in the ordinary shares of the Company

Name of Director	Capacity/nature of interest	Number of shares or underlying shares	Approximate percentage of interest in the Company
Ms. Li Qiuyan ("Ms. Li")	Interest of a controlled corporation (Note 1)	575,625,000 (Note 2)	57.56%
Mr. Tong Xing ("Mr. Tong")	Interest of a controlled corporation (Note 3)	106,875,000 (Note 4)	10.69%

Notes:

- Ms. Li beneficially owns the entire issued share capital of ChongBo Mary Investment Limited ("ChongBo Mary"). Therefore, Ms. Li is deemed, or taken to be, interested in the shares of the Company held by ChongBo Mary for the purposes of the SFO. Ms. Li is a director of ChongBo Mary.
- During the six months ended 30 June 2017, Ms. Li procured ChongBo Mary to transfer 30,000,000 shares, 12,750,000 shares and 19,125,000 shares of the Company to Mr. Li Hongfei, Mr. Xu Zhiliang and Mr. Chen Xinyu, respectively, for nil consideration as reward for their significant contribution to the Group. For details of the share rewards, please refer to the announcement published by the Company dated 29 May 2017.
- Mr. Tong beneficially owns the entire issued share capital of Tong Xing Holding Group Limited ("Tong Xing Holding"). Therefore, Mr. Tong is deemed, or taken to be, interested in the shares of the Company held by Tong Xing Holding for the purposes of the SFO. Mr. Tong is a director of Tong Xing Holding.
- During the six months ended 30 June 2017, Mr. Tong procured Tong Xing Holdings to transfer 2,250,000 shares and 3,375,000 shares of the Company to Mr. Xu Zhiliang and Mr. Chen Xinyu, respectively, for nil consideration as reward for their significant contribution to the Group. For details of the share rewards, please refer to the announcement published by the Company dated 29 May 2017.

Long position in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of share or underlying share	Approximate percentage of interest
Ms. Li	ChongBo Mary	Beneficial owner	1	100%

Save as disclosed above, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, so far as the Directors are aware, the following persons (not being Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO and/or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Other Information

Long position in the ordinary shares of the Company

Name	Capacity/nature of interest	Number of shares or underlying shares	Approximate percentage of interest in the Company
ChongBo Mary	Beneficial owner	575,625,000	57.56%
Tong Xing Holding	Beneficial owner	106,875,000	10.69%
Mr. Tong Yu	Interest of spouse (Note 1)	575,625,000	57.56%
Ms. Zhang Li	Interest of spouse (Note 2)	106,875,000	10.69%

Notes:

1. Mr. Tong Yu is the spouse of Ms. Li. Accordingly, Mr. Tong Yu is deemed, or taken to be, interested in all the shares of the Company in which Ms. Li is interested in for the purposes of the SFO. Mr. Tong Yu is the father of Mr. Tong.
2. Ms. Zhang Li is the spouse of Mr. Tong. Accordingly, Ms. Zhang Li is deemed, or taken to be, interested in the shares of the Company held by Mr. Tong for the purposes of the SFO.

Save as disclosed above, as at 30 June 2017, the Directors are not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO, and/or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to the written resolutions of the shareholders of the Company passed on 17 June 2016. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company. The Scheme will remain in force for a period of 10 years from the date of adoption of such scheme and will expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting. No share options have been granted pursuant to the Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the six months ended 30 June 2017 was any rights granted to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or was any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017 and up to the date of this report.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard of dealings and the code of conduct adopted by the Company for the six months ended 30 June 2017 and up to the date of this report.

NON-COMPETITION UNDERTAKINGS

Each of the controlling shareholders of the Company, namely Ms. Li and ChongBo Mary (together, the "Controlling Shareholders"), has entered into a deed of non-competition on 17 June 2016 (the "Deed of Non-competition"). Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus and the non-competition undertaking has become effective from the date of listing of the shares of the Company on GEM (the "Listing Date"). As far as the Directors are aware, as at the date of this report, the Controlling Shareholders have not breached any terms under the Deed of Non-competition.

COMPETING INTERESTS

As far as the Directors are aware, as at the date of this report, none of the Directors or the Controlling Shareholders have any interests in a business which competes or may compete with the business of the Group or have any other conflict of interest with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As at the date of this report, save and except for the compliance adviser agreement entered into between the Company and First Shanghai Capital Limited (the "Compliance Advisor") on 28 August 2015, neither the Compliance Advisor nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Other Information

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment, reappointment and removal of the Company’s external auditor; review the financial information of the Company; and oversee the Company’s financial reporting system, risk management and internal control systems. The Audit Committee comprised of three independent non-executive Directors namely, Mr. Tang Wai Yau (chairman of the Audit Committee), Mr. Ye Jingzhong and Mr. Qian Zaiyang.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2017 and this report with the management and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

CORPORATE GOVERNANCE CODE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules. The Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices. To the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code for the six months ended 30 June 2017.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float since the Listing Date as required under the GEM Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement and interim report of the Company for the six months ended 30 June 2017 are available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.goldenclassicbio.com.

By order of the Board of
China Golden Classic Group Limited
Li Qiuyan
Chairman

Hong Kong, 14 August 2017

As at the date of this report, the executive Directors are Ms. Li Qiuyan, Mr. Tong Xing, Ms. Du Yongwei and the independent non-executive Directors are Mr. Ye Jingzhong, Mr. Qian Zaiyang and Mr. Tang Wai Yau.