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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the "Directors") of China Golden Classic Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 announcement 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 announcement misleading.

ANNUAL RESULTS

The board of directors (the "Board") of the Company announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017, together with the comparative audited figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*3*	**267,444**	296,336
Cost of sales		**(145,322)**	(152,478)
Gross profit		**122,122**	143,858
Other income		**4,609**	4,880
Selling and distribution costs		**(78,739)**	(87,820)
Administrative expenses		**(39,336)**	(44,583)
Finance costs		**(2,552)**	(2,683)
Profit before tax		**6,104**	13,652
Income tax expenses	*4*	**(3,351)**	(3,050)
Profit for the year	*5*	**2,753**	10,602
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**726**	(780)
Total comprehensive income for the year		**3,479**	9,822
Earnings per share			
— Basic and diluted (RMB cents)	*7*	**0.28**	1.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**158,494**	139,292
Prepaid lease payments		**18,466**	18,916
Intangible assets		**—**	59
Deposits paid for acquisition of property, plant and equipment		**2,154**	4,458
Deferred tax assets		**786**	933
		179,900	163,658
Current assets			
Inventories		**42,635**	28,609
Trade and other receivables	*8*	**62,514**	60,704
Prepaid lease payments		**449**	449
Bank balances and cash		**59,964**	78,942
Tax recoverable		**21**	—
		165,583	168,704
Current liabilities			
Trade and other payables	*9*	**96,152**	75,303
Income tax payables		**—**	474
Bank and other borrowings		**41,707**	52,807
Deferred revenue		**—**	83
		137,859	128,667
Net current assets		**27,724**	40,037
Non-current liabilities			
Deferred tax liabilities		**450**	—
Net assets		**207,174**	203,695
Capital and reserves			
Share capital	*10*	**8,606**	8,606
Reserves		**198,568**	195,089
		207,174	203,695

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share 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 2016	—	—	15	38,173	2,983	69,710	110,881
Profit for the year	—	—	—	—	—	10,602	10,602
Other comprehensive expense for the year:							
Exchange difference arising on translation of foreign operations	—	—	—	—	(780)	—	(780)
Total comprehensive (expense) income for the year	—	—	—	—	(780)	10,602	9,822
Issue of new shares by way of placing	2,152	90,358	—	—	—	—	92,510
Transaction costs attributable to issue of new shares	—	(9,518)	—	—	—	—	(9,518)
Capitalisation issue of shares	6,454	(6,454)	—	—	—	—	—
Transfer to statutory reserve	—	—	—	4,668	—	(4,668)	—
At 31 December 2016	8,606	74,386	15	42,841	2,203	75,644	203,695
At 31 December 2016 and 1 January 2017	**8,606**	**74,386**	**15**	**42,841**	**2,203**	**75,644**	**203,695**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**2,753**	**2,753**
Other comprehensive income for the year:							
Exchange difference arising on translation of foreign operations	**—**	**—**	**—**	**—**	**726**	**—**	**726**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**726**	**2,753**	**3,479**
Transfer to statutory reserve	**—**	**—**	**—**	**57**	**—**	**(57)**	**—**
At 31 December 2017	**8,606**	**74,386**	**15**	**42,898**	**2,929**	**78,340**	**207,174**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

China Golden Classic Group Limited (the "Company") is an investment holding company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacture and trading of oral care, leather care and household hygiene products.

The Company was incorporated in the Cayman Islands on 29 July 2015 as an exempted company with limited liability under the Cayman Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of its registered office and principal place of business is Flat B, 19/F, Times Media Centre, 133 Wan Chai Road, Wan Chai, Hong Kong.

On 8 July 2016, the Company's shares were listed on the GEM (formerly know as "Growth Enterprise Market") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock code: 8281).

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 People's Republic of China (the "PRC"), the directors of the Company consider that it is appropriate to present the consolidated financial statements in RMB.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)")

In the current year, the Group has applied, the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual improvements to HKFRS Standards 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRS Standards 2015–2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures [2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 mainly to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) *Classification and measurement*

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) *Impairment*

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

The directors of the Company are in the process of assessing the impacts on the consolidated financial statement. However, it is not practicable to provide a reasonable estimate of the effect of until the Group performs a detailed review.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB73,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's result but lease commitments may be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. REVENUE AND 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 chief operating decision maker 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.

Segment revenue and results

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

The followings are analysis of the Group's revenue and results by reportable and operating segments:

	Oral care products	**Leather care products**	**Household hygiene products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2017				
Segment revenue	**148,510**	**32,535**	**86,399**	**267,444**
Segment profit	**80,932**	**12,914**	**28,276**	**122,122**
Unallocated income				**4,609**
Unallocated expenses				**(118,075)**
Finance costs				**(2,552)**
Profit before tax				**6,104**
For the year ended 31 December 2016				
Segment revenue	156,262	52,165	87,909	296,336
Segment profit	88,831	20,351	34,676	143,858
Unallocated income				4,880
Unallocated expenses				(132,403)
Finance costs				(2,683)
Profit before tax				13,652

Segment profit represents the profit earned by each segment without allocation of selling and distribution costs, certain 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.

Segment assets and liabilities

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

	2017	2016
	RM'000	*RMB'000*
SEGMENT ASSETS		
Jointly-shared by sales of oral care products, leather care products and household hygiene products	**284,712**	252,487
Unallocated	**60,771**	79,875
Total assets	**345,483**	332,362
SEGMENT LIABILITIES		
Jointly-shared by sales of oral care products, leather care products and household hygiene products	**95,765**	74,606
Unallocated	**42,544**	54,061
Total liabilities	**138,309**	128,667

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, deferred tax assets, certain other receivables, prepayments and tax recoverable as these assets are managed on a group basis and;
- all liabilities are allocated to operating segments other than income tax payables, certain other payables and bank and other borrowings and deferred tax liabilities as these liabilities are managed on a group basis.

The Group's CODM is of the view that the Group's principal assets and liabilities are jointly used and shared by oral care products, leather care products and household hygiene products.

Other segment information

	Jointly-shared by oral care products, leather care products and household hygiene products	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Year ended 31 December 2017			
Depreciation of property, plant and equipment	**7,618**	**—**	**7,618**
Amortisation of intangible assets	**59**	**—**	**59**
Amortisation of prepaid lease payments	**450**	**—**	**450**
Additions to non-current assets	**24,585**	**—**	**24,585**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segments assets			
Bank interest income	**—**	**(206)**	**(206)**
Gain on disposal of property, plant and equipment	**(42)**	**—**	**(42)**
Rental income from properties	**(899)**	**—**	**(899)**
Rental income from equipment	**(299)**	**—**	**(299)**
Impairment loss reversal in respect of trade receivables	**(883)**	**—**	**(883)**
Impairment loss reversal in respect of other receivables	**(72)**	**—**	**(72)**
Impairment loss reversal in respect of prepayment	**(18)**	**—**	**(18)**
Government grants	**—**	**(2,164)**	**(2,164)**
Finance costs	**—**	**2,552**	**2,552**

	Jointly-shared by oral care products, leather care products and household hygiene products	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2016			
Depreciation of property, plant and equipment	5,943	72	6,015
Amortisation of intangible assets	140	—	140
Amortisation of prepaid lease payments	449	—	449
Additions to non-current assets	21,096	—	21,096
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segments assets			
Impairment loss reversal in respect of other receivables	(430)	—	(430)
Rental income from properties	(698)	—	(698)
Rental income from equipment	(299)	—	(299)
Loss on disposal of property, plant and equipment	1	—	1
Bank interest income	—	(240)	(240)
Government grants	—	(1,906)	(1,906)
Finance costs	—	2,683	2,683

Geographical information

The Group's operations are mainly located in the PRC — the country of domicile and all of its non-current assets, are located in the PRC.

Information about the Group's revenue from external customers is presented based on the locations of customers.

	PRC	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers			
Year ended 31 December 2017	**264,770**	**2,674**	**267,444**
Year ended 31 December 2016	295,068	1,268	296,336

Information about major customer

None of the customer accounted for 10% or more of aggregate revenue of the Group during the reporting period.

4. INCOME TAX EXPENSES

	2017	2016
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**1,454**	2,329
Withholding tax on dividend	**1,300**	—
	2,754	2,329
Deferred tax	**597**	721
	3,351	3,050

(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 has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during the reporting period.

(c) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries registered in the PRC is 25% from 1 January 2008 onwards. The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

(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% during the reporting period.

(e) According to the prevailing PRC Enterprise Income Tax ("EIT") law and its relevant regulations, non-PRC-resident enterprises are levied withholding tax at 10%, unless reduced by tax treaties or similar arrangements, on dividends from their PRC-resident investees for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax.

The directors determined that the management of the Group can control the quantum and timing of distribution of profits of their PRC subsidiaries. Deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**6,104**	13,652
Tax at the domestic income tax rate of 25%	**1,526**	3,415
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(513)**	(1,407)
Tax effect of expenses not deductible for tax purpose	**724**	1,180
Additional deduction arising from research and development expenses	**(136)**	(138)
Withholding tax on dividend	**1,750**	—
Income tax expenses for the year	**3,351**	3,050

5. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2017	2016
	RMB'000	*RMB'000*
Auditor's remuneration	**675**	714
Listing expenses	**—**	6,893
Depreciation of property, plant and equipment	**7,618**	6,015
Amortisation of intangible assets	**59**	140
Amortisation of prepaid lease payments	**450**	449
Cost of inventories recognised as expenses*	**132,616**	143,553
Exchange losses (gain), net	**190**	(688)
Research and development costs recognised as an expenses**	**9,093**	10,063
(Gain) loss on disposal of property, plant and equipment	**(42)**	1
Operating lease rentals in respect of rented premises	**719**	552
Emoluments of directors and chief executive	**1,093**	705
Other staff costs:		
Salaries and allowances	**25,268**	20,290
Contributions to retirement benefits scheme	**4,201**	3,887
Total staff costs	**30,562**	24,882

* Cost of inventories recognised as expenses for the years ended 31 December 2017 included staff costs of RMB7,971,000 (2016: RMB5,031,000) which had been included in the total staff costs disclosed above.

** Research and development costs recognised as an expenses for the years ended 31 December 2017 included staff costs of RMB2,938,000 (2016: RMB4,186,000) which were also included in the total staff costs disclosure above.

6. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2017	2016
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share	**2,753**	10,602

Number of shares

	2017	2016
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,000,000**	870,902

The weighted average number of ordinary shares for the purpose of basic earnings per share of the year ended 31 December 2016 has been adjusted for the effects of the capitalisation issue ("Capitalisation Issue") and also includes weighted average number of shares issued in placing.

Since there are no potential dilutive shares in issue during the years ended 31 December 2017 and 2016, basic and diluted earnings per share are the same for both years.

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade and bills receivables	**36,145**	50,905
Less: allowance for impairment of trade receivables	**(1,054)**	(1,937)
	35,091	48,968
Deposits and other receivables	**1,866**	1,205
Advances to independent third parties*	**3,369**	1,997
Less: allowance for impairment of deposits and other receivables	**—**	(72)
	5,235	3,130
Prepayments	**22,448**	8,884
Less: allowance for impairment of prepayments	**(260)**	(278)
	22,188	8,606
	62,514	60,704

* The advances were interest-free, unsecured and repayable on demand.

The Group does not hold any collateral over its trade receivables, deposits and other receivables.

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 dates, which approximated the respective revenue recognition dates, at the end of the reporting period.

	2017	2016
	RMB'000	*RMB'000*
0–30 days	**24,364**	45,415
31–60 days	**3,917**	1,667
61–90 days	**847**	175
Over 3 months but less than 6 months	**838**	1,469
Over 6 months but less than 1 year	**5,125**	242
	35,091	48,968

9. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade and bills payables	**57,555**	32,872
Receipts in advance	**20,937**	15,668
Accruals and other payables	**14,563**	18,642
Payables for acquisition of property, plant and equipment	**3,097**	8,121
	96,152	75,303

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

	2017	2016
	RMB'000	*RMB'000*
0–30 days	**39,550**	23,808
31–60 days	**14,245**	4,837
61–90 days	**934**	1,781
Over 3 months but less than 6 months	**1,553**	1,330
Over 6 months but less than 1 year	**731**	861
Over 1 year but less than 2 years	**451**	163
Over 2 year but less than 5 years	**91**	92
	57,555	32,872

The average credit period on purchases of goods is 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

10. SHARE CAPITAL AND RESERVES

(a) Share capital

	Number of shares	Nominal value of ordinary shares	
	'000	HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 January 2016	38,000	380	305
Increase in authorised share capital pursuant to written resolutions of the shareholder of the Company on 17 June 2016	1,962,000	19,620	16,679
At 31 December 2016, 1 January 2017 and 31 December 2017	2,000,000	20,000	16,984
At 1 January 2016	20	—	—
Issue of new shares by way of capitalisation (i)	749,980	7,500	6,454
Issue of new shares by way of placing (ii)	250,000	2,500	2,152
At 31 December 2016, 1 January 2017 and 31 December 2017	1,000,000	10,000	8,606

(i) 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.

(ii) 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, resulting in an increase in share capital of HK$2,500,000 (equivalent to approximately to RMB2,152,000) and an interest in a share premium of HK$105,000,000 (equivalent to approximately RMB90,358,000).

(b) Reserves

(i) *PRC statutory reserves*

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of Jiangsu Snow Leopard Household Chemical Co., Ltd. and Shanghai Snow Leopard Household Chemical Co., Ltd. Appropriations to the reserves were determined by the board of directors and can be used to offset accumulated losses and increase capital upon approval from the relevant government authorities.

The Company and its subsidiaries in the PRC have to set aside 10% of its profit for the statutory common reserve fund (except where the fund has reached 50% of its registered capital).

(ii) ***Capital reserve***

Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the Reorganisation.

11. CAPITAL COMMITMENTS

As at 31 December 2017 and 2016, the Group has the following capital commitments in respect of acquisition of property, plant and equipment:

	2017	2016
	RMB'000	*RMB'000*
Contracted but not provided for	**8,140**	8,650

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year and up to the date of this announcement, the Group had been principally engaged in the manufacturing and trading of oral care, leather care and household hygiene products in China and overseas.

Business Review

For the Year, the Group recorded a turnover of approximately RMB267.4 million, decreased by approximately 9.8% as compared to the last corresponding period. The net profit for the Year was approximately RMB2.7 million, decreased by approximately 74.5% compared to the same period in last year. Net profit margin was approximately 1.0%, representing a decrease of approximately 2.6% as compared to the same period last year (2016: 3.6%).

The decrease in the amount of the net profit for the Year was mainly attributable to the temporary reduction of the selling price of the Group's products during the Year. On the other hand, the Group's overall gross profit margin decreased from approximately 48.6% for the year ended 31 December 2016 to approximately 45.7% for the Year. The decrease in gross profit margin, especially in our oral care products, was mainly due to the temporary reduction of selling price as part of the sales promotion during the Year, which lowered the revenue of our oral care products.

FINANCIAL REVIEW

Turnover

Turnover of the Group decreased by approximately 9.8% from approximately RMB296.3 million for the year ended 31 December 2016 to approximately RMB267.4 million for the Year. The decrease in the Group's total turnover was mainly attributed to the decreased turnover of leather care products by approximately RMB19.6 million or 37.6%, from approximately RMB52.1 million for the year ended 31 December 2016 to approximately RMB32.5 million for the Year. Such decrease was mainly attributable to the reduction of the average selling price and sales volume of our leather care products.

Turnover of our oral care products recorded a decrease of approximately RMB7.8 million or 5.0%, from approximately RMB156.3 million for the year ended 31 December 2016 to approximately RMB148.5 million for the Year. The decrease was mainly due to the reduction of the selling price of our oral care products.

Turnover of our household hygiene products slightly decreased by approximately RMB1.5 million or 1.7%, from approximately RMB87.9 million for the year ended 31 December 2016 to approximately RMB86.4 million for the Year. Such decrease was mainly due to the reduction of selling price of our household hygiene products during the Year.

Cost of sales

Cost of sales decreased from approximately RMB152.4 million for the last corresponding period to approximately RMB145.3 million for the Year, showing a decrease of approximately 4.7%. The change was mainly due to the declining usage of raw materials and consumables reflecting the reduced turnover.

Gross Profit and gross profit margin

Gross profit of the Group decreased by approximately 15.1% from approximately RMB143.9 million for the year ended 31 December 2016 to approximately RMB122.1 million for the Year. The decrease was mainly attributable to the reduction of selling prices of our products due to sales promotion activities and decrease in turnover during the Year.

In addition, our gross profit margin decreased by 2.9% from approximately 48.6% for the year ended 31 December 2016 to approximately 45.7% for the Year. The decrease was mainly attributable to the temporary reduction of selling price due to the sales promotion activities during the Year, which lowered the selling price of our products. Although the gross profit margin of our oral care products decreased from 56.8% to 54.5% for the Year it still being our most profitable segment, accounted for a higher proportion of 55.5% of our total turnover in 2017 as compared to 52.8% in 2016, which has partially offset the decrease of the overall gross profit margin.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB9.1 million or 10.4% from approximately RMB87.8 million for the year ended 31 December 2016 to approximately RMB78.7 million for the Year. The decrease was mainly attributable to the Group's tightening of costs in sales personnel and advertising and promotion costs since the second half of the Year.

Administrative expenses

Administrative expenses incurred for the Year was approximately RMB39.3 million, representing a decrease of approximately RMB5.3 million or approximately 11.9%, as compared to approximately RMB44.6 million for the year ended 31 December 2016. Such decrease was primarily because the Group was no longer required to incur listing expenses during the Year (2016: RMB6.9 million). Except for the impact of the listing expenses, the administrative expenses increased by approximately RMB1.6 million or approximately 4.2%, which was mainly attributable to the increase in legal and professional fees as well as compliance costs incurred by the Company to fulfill its reporting duties as a listed company in Hong Kong since July 2016.

Finance costs

Interest expenses incurred for the Year was approximately RMB2.6 million, decreased by approximately RMB0.1 million as compared to RMB2.7 million in the year ended 31 December 2016, representing a slight decrease of approximately 3.7%. The decrease was mainly attributable to the decrease in the average balance of the interest-bearing loans during the Year as compared to the same period of 2016.

Income tax expenses

Income tax expenses incurred for the Year was approximately RMB3.4 million, increased by approximately RMB0.3 million as compared to RMB3.1 million for the year ended 31 December 2016, representing an increase of approximately 9.7%. It was mainly attributable to the decrease of the profit before taxation as compared to the same period of 2016. On the other hand, there was a withholding tax on dividend of approximately RMB1.8 million during the Year (2016: nil). The effective tax rate was increased to approximately 55.7%, representing an increase of approximately 33.1% as compared to the same period of 2016 (2016: approximately 22.6%), which is mainly driven by the incurring of the withholding tax on dividend during the Year.

Profit for the year

As a result of the foregoing, our net profit for the Year was approximately RMB2.7 million which represents a decrease of approximately 74.5% as compared with the profit of approximately RMB10.6 million for the year ended 31 December 2016. Net profit margin was approximately 1.0%, representing a decrease of approximately 2.6% as compared to the same period of 2016 (2016: approximately 3.6%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The capital of the Group only comprises of ordinary shares and there was no change in the capital structure of the Group during the Year.

The total shareholders' equity of the Group as at 31 December 2017 was approximately RMB207.2 million (31 December 2016: RMB203.7 million). The Group had current assets of approximately RMB165.6 million (31 December 2016: RMB168.7 million) and current liabilities of approximately RMB137.9 million (31 December 2016: RMB128.7 million). The current ratio was 1.20 and 1.31 as at 31 December 2017 and 2016, respectively.

During the Year, the Group generally financed its operations with internally generated cash flow and credit facilities provided by its principal bankers in China. As at 31 December 2017, the Group had outstanding bank borrowings of approximately RMB41.7 million (31 December 2016: RMB35.3 million). These bank loans were secured by certain buildings, 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 upon maturity in June 2017. As at 31 December 2017, the Group maintained bank balances and cash of approximately RMB60.0 million (31

December 2016: RMB78.9 million). The Group's net cash-to-equity ratio (total bank and other borrowings net of cash and cash equivalents over shareholders' equity) was 0.09 and 0.13 as at 31 December 2017 and 2016, respectively.

The Directors believe that with the current capital and the available banking facilities, the Group possesses sufficient cash to meet its commitments and working capital requirements.

CAPITAL COMMITMENTS

The Group had approximately RMB8.1 million of capital commitments not provided for in respect of property, plant and equipment as at 31 December 2017 (31 December 2016: approximately RMB8.7 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Company's prospectus dated 30 June 2016 (the "Prospectus") and this announcement, the Group did not have other plans for material investments and capital assets as at 31 December 2017.

GEARING RATIO

As at 31 December 2017, the Group's gearing ratio was approximately 20.1% (31 December 2016: approximately 25.9%), based on total debt of approximately RMB41.7 million and total equity of approximately RMB207.2 million. The decrease is mainly attributable to the decrease of bank and other borrowings by approximately RMB11.1 million or 21.0% to approximately RMB41.7 million as at 31 December 2017 (31 December 2016: approximately RMB52.8 million).

Note: Gearing ratio is calculated as the total debt divided by total equity. Total debt includes bank and other borrowings.

CHARGE OVER ASSETS OF THE GROUP

As at 31 December 2017, the Group had prepaid lease payment, trademarks and charge over the Group's buildings of approximately RMB6.7 million (31 December 2016: approximately RMB6.8 million), nil (31 December 2016: approximately RMB0.1 million) and RMB15.9 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, ACQUISITIONS AND DISPOSALS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Year. Save as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 31 December 2017.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities (2016: nil).

FOREIGN EXCHANGE EXPOSURE

Most of the sales and cost of production of the Group are settled in Renminbi ("RMB"). There are only limited sales and administrative expenses which are denominated in United Stated Dollars ("US$") and Hong Kong Dollars ("HK$"). Therefore, the Group was not exposed to material foreign exchange risks. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of approximately 307 employees. The Group's staff cost for the Year amounted to approximately RMB30.6 million (2016: approximately RMB24.9 million). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognises the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowance.

In the PRC, the Group's employees have participated in various security insurance including social insurance prescribed by the Social Insurance Law of PRC* (中華人民共和國社會保險法) and housing provident fund prescribed by the Regulations on Management of Housing Provident Fund* (住房公積金管理條例).

* English names are translated for identification purpose only

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Company or the Group after 31 December 2017 and up to the date of this announcement.

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 31 December 2017.

Business plan as set out in the Prospectus	Progress up to 31 December 2017
Expand the production and warehouse capacity	
— Expand the annual production capability of the oral care products from 3,720 tons to 9,000 tons	The construction of the new production workshops of the oral care products was completed and has started operation in February 2018.
— Construct a new inventory warehouse	The Group is planning to create additional inventory warehouse area in the existing factory premises to save the construction time and costs.
— Settle outstanding payment for the construction in progress	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	The Group has purchased the laboratory and test equipment and put them in use in the research and development centre in August 2016.
— Employ additional research and development personnel	The Group has employed 2 additional research and development personnel since mid-2016, increasing the Group's total research and development personnel to 12 as of 31 December 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 RMB2.9 million on the television commercials and advertisements in newspapers and on the Internet during the Year.

Business plan as set out in the Prospectus	Progress up to 31 December 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 since June 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

Foreign exchange risk

Foreign exchange rate risk refers to the risk that movement in foreign currency exchange rates will affect the Group's financial results and cash flows. Since the Group's sales and productions are primarily in China, the Group is not expected to incur a significant amount of sales, assets and liabilities denominated in a currency other than RMB. However, certain administrative expenses related to legal and professional fees and other short-term borrowings are denominated in HK$. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which the Group's assets and liabilities is denominated. A depreciation of the RMB would require the Group to use more RMB funds to service the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB would result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date. In addition, as the proceeds of the Placing was in HK$, any appreciation of the RMB against the HK$ will adversely affect the amount of proceeds the Group receives in terms of RMB. On the other hand, a depreciation of RMB would adversely affect the value of any dividends the Group pays to the shareholders subsequent to the Placing. The Group neither has a formal foreign currency hedging policy nor engages in hedging activities designed or intended to manage such exchange rate risk during the Year. Since RMB is not freely convertible, the Group's ability to reduce foreign exchange rate risk is limited.

Credit risk

The Group is exposed to credit risk primarily arising from trade receivables and bank balances. Trade receivables are substantially from customers with good collection track records with the Group. For trade receivables, the Group delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and to mitigate credit risks. Impairment losses on trade receivables recognised during the Year was nil (2016: Nil). The remaining amounts are still considered recoverable because there were subsequent settlements or no historical default of payments by the respective customers.

The Group is also subject to concentration of credit risk arising from its trade receivables as approximately 56% (2016: approximately 45%) of these receivables are due from the Group's largest five customers as at the year ended 31 December 2017.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with high credit ratings assigned by international credit-rating agencies or with good reputation.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognised financial assets was the carrying amounts of those assets as stated on the Group's consolidated statements of financial position.

Liquidity risk

The Group's financial liabilities are all falling due within the next 12 months from the end of the Year. As at 31 December 2017, the Group had net current assets and net assets of RMB27.7 million and RMB207.2 million, respectively. As a result, the Group is not exposed to liquidity risk. The Group manages the liquidity risk by maintaining sufficient cash and banking facilities to enable the Group to meet the Group's normal operating and capital commitments.

Interest rate risk

The Group's interest rate risk relates primarily to the Group's bank balances as well as bank and other borrowings. The Group currently has not entered into any interest rate swaps to hedge against the Group's exposure to changes in fair values of the Group's borrowings. It is the Group's policy to maintain an appropriate level between the Group's borrowings so as to balance the fair value and cash flow interest rate risk. In addition, to the extent that the Group may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of the Group's debt obligations. The Group currently does not use any derivative instruments to manage the Group's interest rate risk. To the extent the Group decides to do so in the future, there can be no assurance that any future hedging activities will protect the Group from fluctuations in interest rates.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has implemented environmental protection measures, including procedures and programs related to noise control and waste discharge management, including waste water, solid waste and gases. The Group has sought to optimise the production procedure by adopting low energy consumption and pollution control techniques, implementing environmental- friendly waste disposal methods and enhancing the environmental awareness of our employees through regular trainings. To ensure compliance with applicable regulations, the Group has dedicated staff responsible for supervising and monitoring compliance with statutory regulations and the internal standards relating to environmental protection. Ms. Li Qiuyan, the chairman and executive Director of the Company, has the overall responsibility for environmental protection matters within the Group. The Group's operations were in compliance in all material respects with currently applicable national and local environmental protection laws and regulations in the PRC during the Year.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group has maintained a good relationship with suppliers and customers. During the Year, there was no material and significant dispute between the Group and its suppliers and/or customers.

USE OF PROCEEDS FROM THE PLACING

The net proceeds from the listing (the "Listing") of the shares of the Company on GEM of the Stock Exchange on 8 July 2016 by way of issuing and placing 250,000,000 ordinary shares (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 31 December 2017, the net proceeds from the Placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus	**Actual use of proceeds up to 31 December 2017**
	HK$ million	*HK$ million*
Expand production and warehouse capacity	33.5	27.2
Strengthen the products research and development capabilities	7.0	7.0
Strengthen the leading position of the brand by advertisement and promotion	21.2	15.1
Expand the sales network	18.5	17.4
General working capital	7.9	6.0
Total	88.1	72.7

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business, the actual situation and the industry.

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

OUTLOOK

The economic outlook for 2018 remains uncertain and challenging. Competition in the domestic fast consumable product market is expected to be fierce. Despite potential fluctuations in the global and Chinese economies and slowdown in China's economic growth in the near future, our management team will face all of these challenges head on as part of our Group's growth process.

The Directors continue to take a step forward in the oral care industry and further expand the Group's business operations with a view to creating Shareholders' value. The Group completed the renovation of the new production facilities in its production base in Jiangyin, Jiangsu Province, PRC and the new production facilities were put into use in February 2018. This expansion will add extra production lines for the Group's oral care product and lead to an increase of the Group's total production capacity. The Directors believe that the new production facilities will enhance the Group's production and product development capabilities, in particular to our oral care products, so that the Group's products' competitiveness can be further strengthened. In addition, the Group will continue to promote the "Fe" trademark and its oral care products and has planned to expand such trademark in the Group's other new products in the future.

AUDIT COMMITTEE

The Company established the Audit Committee on 17 June 2016 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditors; review financial statements of the Company and judgments in respect of financial reporting; and oversee internal control procedures and risk management system of the Company. The Audit Committee consists of three independent non-executive Directors, namely Mr. Tang Wai Yau (Chairman), Mr. Ye Jingzhong and Mr. Qian Zaiyang.

During the Year, the Audit Committee had reviewed the Group's unaudited quarterly results for the three months ended 31 March 2017, the nine months ended 30 September 2017 and unaudited interim results for the six months ended 30 June 2017 as well as audited annual results for the year ended 31 December 2016 and the Group's internal controls for the Year. The Group's results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this announcement, and confirmed that this announcement complies with the GEM Listing Rules.

SCOPE OF AUDITOR'S WORK ON FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited ("SHINEWING"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on this announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2017.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the Year and up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2016: nil).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

CORPORATE GOVERNANCE PRACTICES

The Board recognises the value and importance of achieving high corporate governance standards and is committed to upholding good corporate standards and procedures for the best interest of the Company's shareholders.

During the Year, the Company has complied with all the applicable code provisions in the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules.

Pursuant to the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. To ensure a balance of power and authority, the Company fully supports the division of responsibility between the chairman and the chief executive officer. The roles of the chairman and the chief executive officer are segregated and performed by Ms. Li Qiuyan and Mr. Tong Xing, respectively.

CODE OF CONDUCT

The Company has adopted as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "Code of Conduct") the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the Code of Conduct during the Year and up to the date of this announcement.

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 date of Listing and up to the date of this announcement as required under the GEM Listing Rules.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on 25 May 2018 (Friday) at conference room, No. 35 Yingbin Road, Xiake Town, Jiangyin City, Jiangsu Province, the PRC. For the purpose of determining entitlement to attend the forthcoming AGM, the register of members of the Company will be closed from 21 May 2018 (Monday) to 25 May 2018 (Friday), both day inclusive, during which period no transfer of Shares will be registered. The record date will be on 18 May 2018 (Friday). In order to qualify for attending the forthcoming AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 18 May 2018 (Friday).

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

Hong Kong, 27 March 2018

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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 announcement 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 announcement misleading.

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the website of the Company at www.goldenclassicbio.com.

* *For identification purpose only*