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 2018

CHARACTERISTICS OF THE 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 2018 (the "Year"), together with the comparative audited figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	3	**276,634**	267,444
Cost of sales		**(169,905)**	(145,322)
Gross profit		**106,729**	122,122
Other income	4	**3,130**	4,609
Selling and distribution costs		**(59,330)**	(78,739)
Administrative expenses		**(43,736)**	(39,336)
Finance costs	5	**(2,703)**	(2,552)
Profit before tax		**4,090**	6,104
Income tax expenses	6	**(2,455)**	(3,351)
Profit for the year	7	**1,635**	2,753
Other comprehensive (expense)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(60)**	726
Total comprehensive income for the year		**1,575**	3,479
Earnings per share			
– Basic and diluted (RMB cents)	9	**0.16**	0.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**158,468**	158,494
Prepaid lease payments		**18,017**	18,466
Intangible assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**3,188**	2,154
Deferred tax assets		**608**	786
		180,281	179,900
Current assets			
Inventories		**39,759**	42,635
Trade and other receivables	*10*	**80,022**	62,514
Prepaid lease payments		**449**	449
Bank balances and cash		**63,281**	59,964
Tax recoverable		**637**	21
		184,148	165,583
Current liabilities			
Trade and other payables	*11*	**72,230**	96,152
Contract liabilities		**23,277**	–
Bank and other borrowings		**60,000**	41,707
		155,507	137,859
Net current assets		**28,641**	27,724
Non-current liabilities			
Deferred tax liabilities		**400**	450
Net assets		**208,522**	207,174
Capital and reserves			
Share capital	*12*	**8,606**	8,606
Reserves		**199,916**	198,568
		208,522	207,174

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	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 2017	8,606	74,386	15	42,841	2,203	75,644	203,695
Profit for the year	–	–	–	–	–	2,753	2,753
Other comprehensive expense 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
At 31 December 2017 and 1 January 2018 (as originally stated)	**8,606**	**74,386**	**15**	**42,898**	**2,929**	**78,340**	**207,174**
Effect on adoption of HKFRS 9	**–**	**–**	**–**	**–**	**–**	**(227)**	**(227)**
At 1 January 2018 (as restated)	**8,606**	**74,386**	**15**	**42,898**	**2,929**	**78,113**	**206,947**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**1,635**	**1,635**
Other comprehensive income for the year:							
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(60)**	**–**	**(60)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(60)**	**1,635**	**1,575**
At 31 December 2018	**8,606**	**74,386**	**15**	**42,898**	**2,869**	**79,748**	**208,522**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

The Company is an investment holding company and its subsidiaries 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. The Company's shares were listed on GEM (formerly known as "Growth Enterprise Market") of The Stock Exchange of Hong Kong Limited.

The functional currency of the Company and the Group's principal subsidiaries is HK$ or 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings where appropriate and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and related interpretations. Details are described below.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 3 below.

There was no impact of transition to HKFRS 15 on the retained earnings at 1 January 2018.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 January 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 December 2017	**Impact on adoption of HKFRS 15**	**Carrying amount as restated at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	96,152	(20,937)	75,215
Contract liabilities	–	20,937	20,937

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarise the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at 31 December 2018, by comparing the amounts reported under HKAS 18 and related interpretations that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of HKFRS 15 did not have material impact on the Group's operating, investing and financing cash flows.

(a) Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018:

	As reported	**Impact on adopting HKFRS 15**	**Amounts excluding impacts of adopting HKFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	276,634	3,409	280,043
Selling and distribution expenses	59,330	3,409	62,739

Note: RMB3,409,000 related to promotion expenses for promotion activities performed by certain retail customers which have been included in selling and distribution expenses prior to application of HKFRS 15. Under HKFRS 15, this amount reduces revenue in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

(b) Impact on the consolidated statement of financial position at 31 December 2018:

	As reported	**Impact on adopting HKFRS 15**	**Amounts excluding impacts of adopting HKFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	72,230	23,277	95,507
Contract liabilities	23,277	(23,277)	–

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings as at 1 January 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in Note 3 below.

Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets and financial liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recongised financial assets and financial liabilities that are within the scope of HKFRS 9 continued to be measured at amortised cost as were previously measured under HKAS 39.

Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

As at 1 January 2018, an additional allowance on the Group's trade receivables of RMB267,000 have been recognised, thereby reducing the opening retained earnings of RMB267,000, net of their related deferred tax impact of RMB40,000.

New and revised HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[5]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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 1 and HKAS 8	Amendments to Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective for annual periods beginning on or after a date to be determined.
[5] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

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.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB33,000 as disclosed in note 28. 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 including functional toothpaste, mouthwash, oral spray and toothbrush.

(2) Leather care products segment reports manufacture and sales of leather care products including leather shoe care products and leather clothing care products.

(3) Household hygiene products segment reports manufacture and sales of household hygiene products including surface cleaners, laundry care products, toilet care products and mould proof 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 2018				
Segment revenue for external customers	**152,536**	**31,344**	**92,754**	**276,634**
Segment profit	**69,842**	**5,702**	**31,185**	**106,729**
Unallocated income				**3,130**
Unallocated expenses				**(103,066)**
Finance costs				**(2,703)**
Profit before tax				**4,090**
For the year ended 31 December 2017				
Segment revenue for external customers	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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of selling and distribution costs, 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.

	2018	2017
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Jointly-shared by sales of oral care products, leather care products and household hygiene products	**299,771**	284,712
Unallocated	**64,658**	60,771
Total assets	**364,429**	345,483
SEGMENT LIABILITIES		
Jointly-shared by sales of oral care products, leather care products and household hygiene products	**95,475**	95,765
Unallocated	**60,432**	42,544
Total liabilities	**155,907**	138,309

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, certain other payables, bank 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 *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Year ended 31 December 2018			
Amounts included in the measure of segment profit or loss or segment assets:			
Depreciation of property, plant and equipment	**14,413**	**–**	**14,413**
Amortisation of prepaid lease payments	**449**	**–**	**449**
Additions to non-current assets	**16,527**	**–**	**16,527**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results			
Bank interest income	**–**	**(314)**	**(314)**
Gain on disposal of property, plant and equipment	**(36)**	**–**	**(36)**
Rental income from properties	**(1,109)**	**–**	**(1,109)**
Rental income from equipment	**(302)**	**–**	**(302)**
Government grants	**–**	**(676)**	**(676)**
Finance costs	**–**	**2,703**	**2,703**
Impairment loss in respect of trade receivables	**26**	**–**	**26**

	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			
Amounts included in the measure of segment profit or loss or segment assets:			
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	26,889	–	26,889
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results			
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

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.

Disaggregation of revenue

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 2018	**273,266**	**3,368**	**276,634**
Year ended 31 December 2017	264,770	2,674	267,444

During the year ended 31 December 2018, all revenue were recognised at a point in time upon delivery.

Products were sold through (i) distributors which then distribute and sell them to retailers and/or sub-distributors; (ii) directly to retailers and; (iii) OEM customers who market such products under their brand names or resell them.

Information about major customer

None of the customer accounted for 10% or more of aggregate revenue of the Group during both years.

4. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Rental income from properties*	**1,109**	899
Rental income from equipment	**302**	299
Bank interest income	**314**	206
Government grants**	**676**	2,164
Gain on disposal of property, plant and equipment	**36**	42
Exchange gain, net	**13**	–
Impairment loss reversal in respect of trade receivables	**–**	883
Impairment loss reversal in respect of other receivables	**–**	72
Impairment loss reversal in respect of prepayment	**–**	18
Others	**680**	26
	3,130	4,609

* No material outgoings had been incurred for the rental income.

** These government grants are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development with no unfulfilled conditions.

5. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank borrowings	**2,703**	2,552

6. INCOME TAX EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**1,187**	1,454
Withholding tax on dividend	**1,100**	1,300
	2,287	2,754
Deferred tax	**168**	597
	2,455	3,351

(a) Pursuant to the rules and regulations of the British Virgin Islands ("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) One of the Group's subsidiaries registered in the PRC is recognised as a small and low profit enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 10% during the reporting period.

(f) 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 of the Company 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.

7. PROFIT FOR THE YEAR

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

	2018	2017
	RMB'000	*RMB'000*
Auditor's remuneration	**705**	675
Depreciation of property, plant and equipment	**14,413**	7,618
Amortisation of intangible assets	**–**	59
Amortisation of prepaid lease payments	**449**	450
Cost of inventories recognised as expenses*	**169,905**	145,322
Exchange (gain) losses, net	**(13)**	190
Research and development costs recognised as an expense**	**8,864**	9,093
Operating lease rentals in respect of rented premises	**224**	719
Impairment loss in respect of trade receivables	**26**	–
Emoluments of directors and chief executive	**1,149**	1,016
Other staff costs:		
Salaries and allowances	**22,001**	25,268
Contributions to retirement benefits schemes	**4,471**	4,201
Total staff costs	**27,621**	30,485

* Cost of inventories recognised as expenses for the year ended 31 December 2018 included staff costs of RMB8,697,000 (2017: RMB7,971,000) which had been included in the total staff costs disclosed above.

** Research and development costs recognised as an expense for the year ended 31 December 2018 included staff costs of RMB3,780,000 (2017: RMB2,938,000) which were also included in the total staff costs disclosure above.

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

9. 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

	2018	2017
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share	**1,635**	2,753

Number of shares

	2018	2017
	'000	*'000*
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,000,000**	1,000,000

Since there are no potential dilutive shares in issue during the years ended 31 December 2018 and 2017, basic and diluted earnings per share are the same for both years.

10. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**44,159**	36,145
Less: allowance for impairment of trade receivables	**(470)**	(1,054)
	43,689	35,091
Deposits and other receivables	**2,001**	1,866
Advances to employees	**903**	2,270
Advances to independent third parties*	**2,040**	1,099
Less: allowance for impairment of deposits and other receivables	**–**	–
	4,944	5,235
Prepayments for operating expenses	**31,649**	22,448
Less: allowance for impairment of prepayments	**(260)**	(260)
	31,389	22,188
	80,022	62,514

* The advances were interest-free, unsecured and repayable within one year.

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 receivables presented based on the invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period.

	2018	2017
	RMB'000	*RMB'000*
0 – 30 days	**31,510**	24,364
31 – 60 days	**2,518**	3,917
61– 90 days	**3,087**	847
Over 3 months but less than 6 months	**1,955**	838
Over 6 months but less than 1 year	**906**	5,125
Over 1 year	**3,713**	–
	43,689	35,091

As at 31 December 2017, an aged analysis of trade receivables presented based on past due dates is as follows:

	2017
	RMB'000
Not yet past due	22,389
0 – 30 days	1,975
31 – 60 days	3,917
61– 90 days	847
Overdue 3 months to 6 months	838
Overdue 6 months to 1 year	5,125
	35,091

As at 31 December 2017, trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade receivables balances were RMB12,702,000 as at 31 December 2017 which were past due at the end of the reporting period for which the Group has not provided for impairment loss. Receivables that were past due but not impaired related to a number of independent customers with no recent history of default.

Included in the impairment on trade receivables are individually impaired trade receivables of RMB1,054,000 since the directors of the Company considered the prolonged outstanding balances were uncollectible.

Movement in the impairment on trade receivables:

	2017
	RMB'000
At 1 January	1,937
Reversal due to recovery	(883)
At 31 December	1,054

Starting from 1 January 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The Group considers the credit risk characteristic and the days past due of trade receivables to measure the expected credit losses. The Group considers the historical loss rates in the past three years and adjusts for forward looking macroeconomic data in calculating the expected credit loss rates.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2018, the expected credit loss is determined using the provision matrix as follows:

	Average loss rate %	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
0 – 30 days (not yet past due)	0.14%	31,546	44
31 – 60 days	0.36%	2,526	9
61– 90 days	0.33%	3,106	10
Overdue 3 months to 6 months	1.16%	1,978	23
Overdue 6 months to 2 years	4.29%	4,826	207
		43,982	293
Default receivables	100%	177	177
		44,159	470

Movement in the impairment on trade receivables:

	Lifetime ECL (not credit-impaired) *RMB'000*	**Lifetime ECL (credit-impaired)** *RMB'000*	**Total** *RMB'000*
At 31 December 2017 under HKAS 39	–	1,054	1,054
Effect on adoption of HKFRS 9	267	–	267
At 1 January 2018 (as restated)	267	1,054	1,321
Impairment loss for the year	26	–	26
Written off as uncollectible	–	(877)	(877)
At 31 December 2018	293	177	470

Movement in the impairment on other receivables:

	2018 ***RMB'000***	2017 *RMB'000*
At 1 January	**–**	72
Reversal due to recovery	**–**	(72)
At 31 December	**–**	–

For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2018, advances to staff and independent third parties are not yet past due and there has been no significant increase in credit risk since initial recognition. As such, no loss allowance was made in 2018 as 12-month ECL is insignificant.

Movement in the impairment on prepayments:

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**260**	278
Reversal due to recovery	**–**	(18)
At 31 December	**260**	260

Included in the impairment on prepayments are individually impaired prepayments of RMB260,000 as at 31 December 2018 (2017: RMB260,000) since the directors of the Company considered the prolonged outstanding balances cannot be utilised or recovered.

11. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade and bills payables	**55,472**	57,555
Receipts in advance	**–**	20,937
Accruals and other payables	**15,084**	14,563
Payables for acquisition of property, plant and equipment	**1,674**	3,097
	72,230	96,152
Contract Liabilities	**23,277**	–

At 31 December 2017, receipts in advance of RMB20,937,000 represented the deposits received from customers prior to delivery of goods and were reclassified to contract liabilities at 1 January 2018 upon adoption of HKFRS 15. The entire balance was recognised as revenue during the year ended 31 December 2018. There was no revenue recognised in the current year that related to performance obligations that satisfied in a prior year. At 31 December 2018, the increase in contract liabilities is in line with the increase in sales transactions and consequently the Group received more deposits in 2018.

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

	2018	2017
	RMB'000	*RMB'000*
0 – 30 days	**37,969**	39,550
31 – 60 days	**10,665**	14,245
61– 90 days	**2,961**	934
Over 3 months but less than 6 months	**2,213**	1,553
Over 6 months but less than 1 year	**1,041**	731
Over 1 year but less than 2 years	**407**	451
Over 2 years but less than 5 years	**216**	91
	55,472	57,555

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.

12. 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 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,000,000	10,000	8,606

(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 Daily Chemical Co., Ltd. and Shanghai Snow Leopard Daily 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). Since the amount of the Company's statutory surplus reserve has reached 50% of the registered capital of the Company, no appropriation was made for 2018.

(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.

13. CAPITAL COMMITMENTS

As at 31 December 2018 and 2017, the Group has the following capital commitments in respect of acquisition of property, plant and equipment:

	2018	2017
	RMB'000	*RMB'000*
Contracted but not provided for	**4,838**	8,140

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 the PRC and overseas.

Business Review

For the Year, the Group recorded a turnover of approximately RMB276.6million, increased by approximately 3.4% as compared to the last corresponding period. The net profit for the Year was approximately RMB1.6 million, decreased by approximately 41% compared to the same period in last year. Net profit margin was approximately 0.6%, representing a decrease of approximately 0.4% as compared to the same period last year (2017: 1.0%).

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 and the depreciation for the new production facilities put into use in February 2018. On the other hand, the Group's overall gross profit margin decreased from approximately 45.7% for the year ended 31 December 2017 to approximately 38.6% for the Year. The decrease in gross profit margin, especially in our oral care products, was mainly due to the the depreciation for the new production facilities put into use in February 2018.

FINANCIAL REVIEW

Turnover

Turnover of the Group increased by approximately 3.4% from approximately RMB267.4 million for the year ended 31 December 2017 to approximately RMB276.6 million for the Year. The increase in the Group's total turnover was mainly attributed to the increased turnover of household hygiene products by approximately RMB6.4 million or 7.4%, from approximately RMB86.4 million for the year ended 31 December 2017 to approximately RMB92.8 million for the Year. Such increase was mainly due to the promotion of household hygiene products we strengthened in the past year including the improvement in packaging and display of the products.

Turnover of our oral care products recorded an increase of approximately RMB4.0 million or 2.6%, from approximately RMB148.5 million for the year ended 31 December 2017 to approximately RMB152.5 million for the Year. The increase was mainly due to the growth of e-commerce, which strengthened our online sales in 2018.

Turnover of our leather care products slightly decreased by approximately RMB1.2 million or 3.8%, from approximately RMB32.5 million for the year ended 31 December 2017 to approximately RMB31.3 million for the Year. Such decrease was mainly due to the reduction of the selling price of our leather care products to become more competitive in the shrinking leather care products market during the Year.

Cost of sales

Cost of sales increased from approximately RMB145.3 million for the last corresponding period to approximately RMB169.9 million for the Year, showing an increase of approximately 16.9%. The change was mainly due to the depreciation for the new production facilities put into use in February 2018.

Gross profit and gross profit margin

Gross profit of the Group decreased by approximately 12.6% from approximately RMB122.1 million for the year ended 31 December 2017 to approximately RMB106.7million for the Year. The decrease was mainly attributable to the depreciation of the new production facilities put into use in February 2018.

In addition, our gross profit margin decreased by 7.1% from approximately 45.7% for the year ended 31 December 2017 to approximately 38.6% for the Year. The decrease was mainly attributable to both the depreciation of the new production facilities put into use and the temporary reduction of selling price due to the sales promotion activities during the Year, which lowered the selling price of our products.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB19.4 million or 24.7% from approximately RMB78.7 million for the year ended 31 December 2017 to approximately RMB59.3 million for the Year. The decrease was mainly attributable to the Group's tightening of overall costs in sales personnel and advertising and promotion costs during the corresponding year.

Administrative expenses

Administrative expenses incurred for the Year was approximately RMB44.0 million, representing an increase of approximately RMB4.7 million or approximately 12%, as compared to approximately RMB39.3 million for the year ended 31 December 2017. Such increase was primarily because the Group improved the managements compensation and working environment to motivate the enthusiasm of the staff, such as improving the quality of employees' meals, and establishing a new activity center for employees.

Finance costs

Finance costs incurred for the Year which mainly represent interest expenses, was approximately RMB2.7 million, increased by approximately RMB0.1 million as compared to RMB2.6 million in the year ended 31 December 2017, representing a slight increase of approximately 3.8%. The increase was mainly attributable to the increase in the average balance of the interest-bearing loans during the Year as compared to the same period of 2017. The increase in interest-bearing loans was to increase the liquidity of the Company.

Income tax expenses

Income tax expenses incurred for the Year was approximately RMB2.5 million, decreased by approximately RMB0.9 million as compared to RMB3.4 million for the year ended 31 December 2017, representing a decrease of approximately 0.26%. It was mainly attributable to the decrease of the profit before taxation as compared to the same period of 2017. On the other hand, there was a withholding tax on dividend of approximately RMB1.1 million during the Year (2017: 1.8 million). The effective tax rate was increased to approximately 60%, representing an increase of approximately 4.3% as compared to the same period of 2017 (2017: approximately 55.7%), 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 RMB1.6 million which represents a decrease of approximately 41% as compared with the profit of approximately RMB2.7million for the year ended 31 December 2017. Net profit margin was approximately 0.6%, representing a decrease of approximately 0.4% as compared to the same period of 2017(2017: approximately 1.0%).

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 2018 was approximately RMB208.5 million (31 December 2017: RMB207.2 million). The Group had current assets of approximately RMB183.5 million (31 December 2017: RMB165.6 million) and current liabilities of approximately RMB154.9 million (31 December 2017: RMB137.9 million). The current ratio was 1.18 and 1.20 as at 31 December 2018 and 2017, 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 2018, the Group had outstanding bank borrowings of approximately RMB60.0million (31 December 2017: RMB41.7 million). These bank loans were secured by certain buildings, prepaid lease payments and trademarks owned by the Group. As at 31 December 2018, the Group maintained bank balances and cash of approximately RMB63.3million (31 December 2017: RMB60.0 million). The Group's net cash-to-equity ratio (total bank and other borrowings net of cash and cash equivalents over shareholders' equity) was 0.02 and 0.09 as at 31 December 2018 and 2017, 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 RMB4.8 million of capital commitments not provided for in respect of property, plant and equipment as at 31 December 2018 (31 December 2017: approximately RMB8.1 million). The decrease in capital commitments was because subsequent investment projects were undergoing further market evaluation and inspection, where they have not been included in the figure.

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 2018.

GEARING RATIO

As at 31 December 2018, the Group's gearing ratio was approximately 28.8% (31 December 2017: approximately 20.1%), based on total debt of approximately RMB60.0 million and total equity of approximately RMB208.5 million. The increase is mainly attributable to the increase of bank borrowings to increase the liquidity of the Company by approximately RMB18.3 million or 43.9% to approximately RMB60.0 million as at 31 December 2018 (31 December 2017: approximately RMB41.7 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 2018, the Group had prepaid lease payment, trademarks and charge over the Group's buildings of approximately RMB6.5 million (31 December 2017: approximately RMB6.7 million), nil (31 December 2017: nil) and RMB14.7 million (31 December 2017: approximately RMB15.9 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 2018.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities (2017: 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 2018, the Group had a total of approximately 291 employees (2017: 307). The Group's staff cost for the Year amounted to approximately RMB27.6 million (2017: approximately RMB30.5 million). The decrease was mainly due to the adoption of automatic production lines and technological improvements made to our new plant to improve work efficiency. 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 maintaining 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 2018 and up to the date of this announcement.

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, other receivables, advances to employees and independent third parties 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 RMB26,000 under expected credit loss model ("ECL") (2017: 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 44% (2017: approximately 56%) of these receivables are due from the Group's largest five customers as at the year ended 31 December 2018.

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 2018, the Group had net current assets and net assets of RMB28.6 million and RMB208.5 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. First, comprehensive training were provided to employees to enhance their abilities to cope with customers. Second, shortage rate and the defend rate of our products were strictly controlled. Third, we encouraged our customers to participate in designing new products. Major suppliers maintain years of cooperation with us as we strived to grow with the suppliers.

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 2018.

Business plan as set out in the Prospectus	**Progress up to 31 December 2018**
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.

Business plan as set out in the Prospectus	Progress up to 31 December 2018
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 6 additional research and development personnel since mid-2016, increasing the Group's total research and development personnel to 16 as of 31 December 2018.
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 RMB1.8 million on the television commercials and advertisements in newspapers and on the Internet during the Year.
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.

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 2018, 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 2018**
	HK$ million	*HK$ million*
Expand production and warehouse capacity	33.5	33.5
Strengthen the products research and development capabilities	7.0	7.0
Strengthen the leading position of the brand by advertisement and promotion	21.2	21.2
Expand the sales network	18.5	17.4
General working capital	7.9	7.9
Total	88.1	87.0

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 increase the business growth of the Group.

OUTLOOK

The economic outlook for 2019 remains uncertain and challenging. Competition in the domestic fast consumable product market is expected to be fierce. 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 has started the renovation of the production facilities on producting the FE Enzyme and functional cosmetics in its production base in Jiangyin, Jiangsu Province, PRC. This will reduce the cost of our toothpaste and expand the product lines. The directors believe that the Group's products' competitiveness can be further strengthened. In addition, the Group is determined to spare no effort in enhancing electronic commerce and the wechat business.

What deserves to be mentioned is that the government will make further effort alleviate the burden on enterprises. From 1 April 2019,the value-added tax rate for manufacturing will be lowered from 16% to 13%. On the other hand, according to the notice jointly issued by China's Ministry of Human Resources and Social Security and Ministry of Finance, effective from 1 May 2019, social security premium will be sharply cut to lower the tax burden of the enterprises. The Directors believe that these new regulations will improve the results of the group.

AUDIT COMMITTEE

The Company established the Audit Committee on 17 June 2016 with written terms of reference which are in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of s; 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 is chaired by Mr. Tan Wai Yau (an independent non-executive Director), and consists of two other independent non-executive Directors, namely Mr. Ye Jingzhong and Mr. Qian Zaiyang. None of them acted as former partner of the Company's existing auditing firm within 2 years immediately prior to their respective date of appointment. All of them do not have material interest in any principal business activity of the Group, nor is or was any of them involved in any material business dealing with the Group or with any core connected persons of the Group within 1 year immediately prior to their respective date of appointment.

During the Year, the Audit Committee had reviewed the Group's unaudited quarterly results for the three months ended 31 March 2018, the nine months ended 30 September 2018 and unaudited interim results for the six months ended 30 June 2018 as well as audited annual results for the year ended 31 December 2017 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 2018 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 2018.

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 (2017: nil) in light of the profit level of the Company during the Year.

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 22 May 2019 (Wednesday) 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 16 May 2019 (Thursday) to 22 May 2019 (Wednesday), both day inclusive, during which period no transfer of Shares will be registered. The record date will be on 15 May 2019 (Wednesday). 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 15 May 2019 (Wednesday).

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

Hong Kong, 28 March 2019

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*