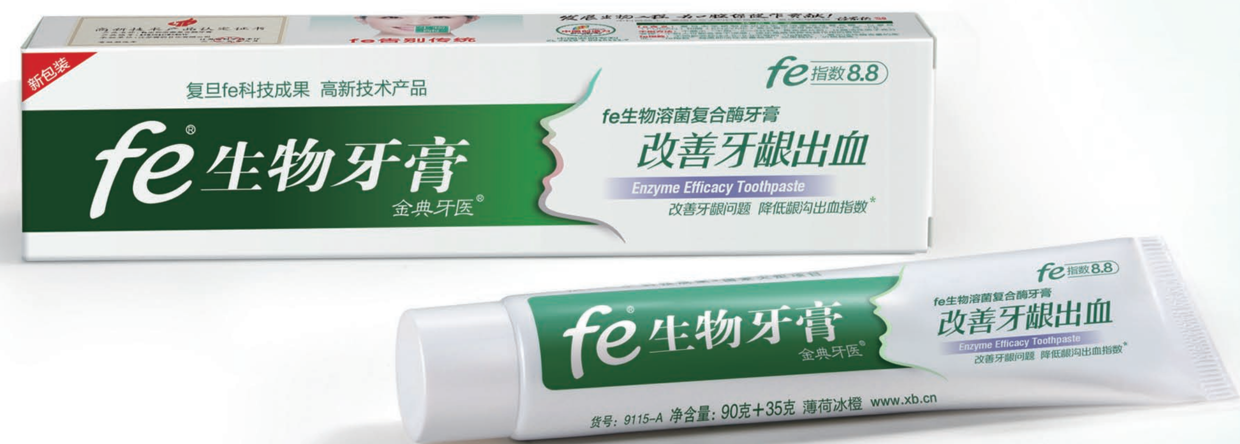
China Golden Classic Group Limited
中國金典集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8281



Annual Report 2016

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This report, 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

DIRECTORS

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

Independent Non-executive Directors
Mr. Ye Jingzhong
Mr. Qian Zaiyang
Mr. Tang Wai Yau

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPLIANCE OFFICER

Ms. Li Qiuyan

COMPANY SECRETARY

Mr. Lau Shun Pong Johnson

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISER AS TO HONG KONG LAWS

King & Wood Mallesons

COMPLIANCE ADVISER

First Shanghai Capital Limited

PRINCIPAL BANK

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

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.goldenclassicbio.com

STOCK CODE

8281

Financial Summary

	Year ended 31 December		
	2016	2015	Change
	RMB'000	RMB'000	
Revenue	**296,336**	283,101	4.7%
Gross profit	**143,858**	128,751	11.7%
Profit before tax	**13,652**	33,200	(58.9)%
Profit for the year	**10,602**	28,159	(62.3)%
Earnings per share			
– Basic and diluted (RMB cents)	**1.22**	3.75	(67.5)%
Proposed dividend per share	**–**	–	N/A

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Golden Classic Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present our first annual report for the year ended 31 December 2016 (the "Year").

The year ended 31 December 2016 was a milestone year for the Group and the successful listing (the "Listing") of the shares of the Company (the "Share(s)") on the GEM on 8 July 2016 (the "Listing Date") by way of issuing and placing 250,000,000 ordinary shares (the "Placing") is a breakthrough to our achievement and our continuous efforts in carrying out our expansion. The Listing has strengthened our financial position and also raised additional capital for our future development. It also provided a good opportunity to strengthen our internal control function and further promote the brand name of our products and our Group as a well-organised establishment to the general public. I would like to thank all the professional parties involved and our staff for their contribution to the successful Listing.

BUSINESS REVIEW

The year 2016 was a challenging year for the Group and the management team who are dedicated to creating value for the shareholders of the Company (the "Shareholders"). Those challenges have originated from economic issues external to the Group such as the domestic demand in the People's Republic of China (the "PRC" or "China") has weakened as Chinese economic growth has slowed down and the keen competition in the domestic market. However, the management team is committed to cope with those challenges in maintaining a diversified and innovative products portfolio to explore more new customers. As a result, revenue of the Group increased by approximately 4.7% from approximately RMB283.1 million for the year ended 31 December 2015 to approximately RMB296.3 million for the Year. Gross profit of the Group increased by approximately 11.7% from approximately RMB128.8 million for the year ended 31 December 2015 to approximately RMB143.9 million for the Year. The gross profit increased as both of the Group's revenue and gross profit margin increased. The Group has successfully lowered the cost of sales of the oral care products and increased the selling prices, which contributed to the improvement of gross profit margin. The Group generated the profit for the Year of approximately RMB10.6 million which represents a decrease of approximately 62.4% as compared with the profit of approximately RMB28.2 million for the year ended 31 December 2015. Such decrease is mainly due to the increase in selling and distribution costs and administrative expenses.

PROSPECTS

2017 will be a year full of opportunities and challenges. Despite potential fluctuations in the global and Chinese economies and slowdown in economic growth in the near future, our management team faces all these challenges head on as part of our Group's growth process.

With the corporate image strengthened by the Listing and the net proceeds received by the Group under the Placing, the Directors feel confident to take a step forward in the oral care industry and further expand the Group's business operations with a view to creating the Shareholders' value. The Group is in the course of the renovation of the new factory premises and installation of its facilities in its production base in Jiangyin, Jiangsu Province. Part of the net proceeds received from the Placing is applied to complete the expansion which is expected to take place in 2017. The expansion will add extra production lines for the Group's oral care product and lead to the increase of the Group's total production capacity. The Directors believe that the new production workshops will enhance the Group's production and product development capabilities and further increase its competitiveness. In late 2016, the Group promoted "Fe" trademark and its oral care products and planned to expand such trademark in other new products in future.

APPRECIATION

Finally, I would like to extend, on China Golden Classic Group Limited's behalf, my heartfelt gratitude to the Shareholders, members of the Board, management, staff, customers and business partners of the Group for their continuing support to the Company.

Ms. Li Qiuyan
Chairman and Executive Director

Hong Kong, 27 March 2017

Management Discussion and Analysis

BUSINESS REVIEW

During the Year and up to the date of this report, 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 RMB296.3 million, increased by approximately 4.7% as compared to the last corresponding period; and net profit for the Year of approximately RMB10.6 million, decreased by approximately 62.4% compared to the same period in last year. Net profit margin was approximately 3.6%, representing a decrease of approximately 6.4 percentage points as compared to the same period last year (31 December 2015: 10.0%).

The decrease in the amount of the net profit for the Year was mainly attributable to the increased expenditures of advertising and promotion expenses, research and development costs and the additional legal and professional fees and compliance costs incurred by the Company related to the reporting as a public company since July 2016. The Directors believed that the increased advertising and promotion expenses would help the Group to promote its products and enhancing its long-term competitiveness. On the other hand, the Group's overall gross profit margin increased from approximately 45.5% for the year ended 31 December 2015 to approximately 48.6% for the Year. The increase in gross profit margin, especially in our oral care products, was mainly due to the negotiation of better terms with our suppliers during the year, which lowered the cost of sales of our oral care products.

PLACING OF SHARES

On 8 July 2016, the Company completed the Placing with the price of HK$0.43 per ordinary Share and the net proceeds received by the Company from the Placing (after deducting the underwriting fees and other expenses) were approximately HK$76.2 million. The Directors intend to apply such net proceeds from the Placing in expanding the Group's production and warehousing capacity, advertisement and promotional activities, expanding the distribution network, enhancing the Group's research and development capabilities, and using for working capital and other general corporate purposes.

FINANCIAL REVIEW

Turnover

Turnover of the Group increased by approximately 4.7% from approximately RMB283.1 million for the year ended 31 December 2015 to approximately RMB296.3 million for the Year. The increase in turnover was mainly attributed to the increased turnover of oral care products by approximately RMB17.4 million or 12.5%, from approximately RMB138.9 million for the year ended 31 December 2015 to approximately RMB156.3 million for the Year. Such increase was mainly attributable to the increase in the average sales price and volume of the oral care products during the Year.

Turnover of leather care products recorded a drop of approximately RMB4.8 million or 8.4%, from approximately RMB57.0 million for the year ended 31 December 2015 to approximately RMB52.2 million for the Year. The decrease was mainly due to the reduction of the sales volume of our low-end leather care products.

Turnover of household hygiene products increased by approximately RMB2.4 million or 2.8%, from approximately RMB85.5 million for the year ended 31 December 2015 to approximately RMB87.9 million for the Year. Such increase was mainly due to the moderate increase of sales volume of the household hygiene products during the year. For the year ended 31 December 2015, the Group recorded turnover of other products of approximately RMB1.7 million, which was mainly represented by industrial hygiene products, and no such turnover of other products was recorded for the corresponding period in 2016.

Cost of sales

Cost of sales decreased from approximately RMB154.4 million for the last corresponding period to approximately RMB152.5 million for the Year, showing a slightly decrease of approximately 1.2%. The change was mainly due to the negotiation of better terms with our suppliers during the Year, which lowered the cost of sales of our oral care products.

Gross Profit and gross profit margin

Gross profit of the Group increased by approximately 11.7% from approximately RMB128.8 million for the year ended 31 December 2015 to approximately RMB143.9 million for the Year. The gross profit increased as the Group's revenue increased while the cost of sales dropped.

On the other hand, our gross profit margin increased by 3.1 percentage points from approximately 45.5% for the year ended 31 December 2015 to approximately 48.6% for the Year. Such increase was mainly attributable to the negotiation of better terms with our suppliers during the Year, which lowered the cost of sales of our products. In addition, the oral care products, being our most profitable segment, accounted for a higher proportion of 52.8% of our total turnover in 2016 as compared to 49.1% in 2015.

Selling and distribution costs

Selling and distribution costs increased by approximately RMB29.1 million or 49.6% from approximately RMB58.7million for the year ended 31 December 2015 to approximately RMB87.8 million for the Year. It was primarily driven by the increased advertising and promotion activities incurred during the Year.

Administrative expenses

Administrative expenses of the Group increased by approximately RMB8.4 million or 23.2% from approximately RMB36.2 million for the year ended 31 December 2015 to approximately RMB44.6 million for the Year. Such increase was primarily due to the incurring of the additional legal and professional fees and compliance costs incurred by the Company related to the reporting as a public company after the Placing in July 2016. Furthermore, the increased administrative expenses were also attributed to increase of research and development expenses, administrative staff cost and travelling expenses.

Finance costs

Interest expenses incurred for the Year was approximately RMB2.7 million, increased by approximately RMB0.6 million as compared to RMB2.1 million in the year ended 31 December 2015, representing an increase of approximately 28.6%. It was mainly driven by the increase of effective interest rate of the interest-bearing loans and the average balance of the interest-bearing loans during the Year as compared to the last corresponding period.

Profit for the year

As a result, our net profit for the Year became approximately RMB10.6 million which represents a decrease of approximately 62.4% as compared with the profit of approximately RMB28.2 million for the year ended 31 December 2015. Net profit margin was approximately 3.6%, representing a decrease of approximately 6.4 percentage points as compared to the last corresponding period (2015: approximately 10.0%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM of the Stock Exchange on 8 July 2016. There has been no change in the capital structure of the Group since then. The capital of the Group only comprises of ordinary shares.

The total shareholders' equity of the Group as at 31 December 2016 was approximately RMB203.7 million (31 December 2015: RMB110.9 million). The Group had current assets of approximately RMB168.7 million (31 December 2015: RMB93.7 million) and current liabilities of approximately RMB128.7 million (31 December 2015: RMB133.1 million). The current ratio was 1.31 and 0.70 as at 31 December 2016 and 2015, respectively.

Prior to the completion of the Placing in July 2016, the Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in China. As at 31 December 2016, the Group had outstanding bank borrowings of approximately RMB35.3 million (31 December 2015: RMB30.0 million). These bank loans were secured by certain buildings, prepaid lease payments and trademarks owned by the Group. The Group has also raised a short-term interest-bearing loan of approximately RMB17.5 million from an independent third party in June 2016. As at 31 December 2016, the Group maintained bank balances and cash of approximately RMB78.9 million (31 December 2015: RMB25.3 million). The Group's net cash-to equity ratio (total bank and other borrowings net of cash and cash equivalents over shareholders' equity) was (0.13) and 0.04 as at 31 December 2016 and 2015, respectively.

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

CAPITAL COMMITMENTS

The Group had approximately RMB8.7 million of capital commitments not provided for in respect of property, plant and equipment as at 31 December 2016 (31 December 2015: approximately RMB22.4 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 report, the Group did not have other plans for material investments and capital assets as at 31 December 2016.

GEARING RATIO

As at 31 December 2016, the Group's gearing ratio was approximately 25.9% (31 December 2015: approximately 27.1%), based on total debt of approximately RMB52.8 million and total equity of approximately RMB203.7 million. The decrease is mainly attributable to the increase in total equity as at 31 December 2016.

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 2016, the Group had prepaid lease payment, trademarks and charge over the Group's buildings of approximately RMB6.8 million (31 December 2015: approximately RMB6.9 million), RMB0.1 million (31 December 2015: approximately RMB0.2 million) and RMB17.1 million (31 December 2015: approximately RMB18.4 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

Apart from the reorganisation of the Group in relation to the Listing as disclosed in the Prospectus, 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 2016.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no material contingent liabilities (2015: 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 and Hong Kong Dollars ("HK$"). Therefore, the Group is 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 2016, the Group had a total of approximately 330 employees. The Group's staff cost for the Year amounted to approximately RMB24.9 million (2015: approximately RMB22.3 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 2016 and up to the date of this report.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 December 2016 are set out in note 29 to the consolidated financial statements.

Pursuant to the applicable PRC laws and regulations, the Group participates to contribute to various security insurance including social insurance and housing provident fund.

No forfeited contributions are available to reduce the contribution payable by the Group in future years.

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 2016.

Business plan as set out in the Prospectus	Progress up to 31 December 2016
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 became under renovation.
– Construct a new inventory warehouse	The Group is in the course of planning to make additional inventory warehouse area in the existing factory premise.
– Settle outstanding payment for the construction in progress	The Group settled the outstanding payment of the construction in progress of the new production workshops 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 in use the research and development centre in August 2016.
– Employ additional research and development personnel	The Group employed additional 2 research and development personnel to 11 as at 31 December 2016 compared with 9 personnel as at 31 December 2015.
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 RMB5.8 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 increased the hiring of additional 400 to 800 temporary sales and marketing personnel through the 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. As a result of 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$. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which the Group's assets and liabilities is denominated. A depreciation of the RMB would require the Group to use more RMB funds to service the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB would result in receipts from receivables substantially less than the contractual amounts in terms of Renminbi at the settlement date. In addition, as the proceeds of the Placing was in HK$, any appreciation of the Renminbi 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 of approximately RMB nil (2015: RMB148,000) were recognised during the Year. 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 45% (2015: approximately 29%) of these receivables are due from the Group's largest five customers as at the end of the reporting period.

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 due within the next 12 months from the end of the Year. As at 31 December 2016, the Group had net current assets and net assets of RMB40.0 million and RMB203.7 million, respectively which does not expose it 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 and bank and other borrowings. The Group currently has not entered into 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 seek to optimise the production by adopting low energy consumption and environmental pollution techniques, implementing environmental-friendly waste disposal methods and enhancing the environmental awareness of the 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 disclosed in the Prospectus, Jiangsu Snow Leopard Daily Chemical Co., Ltd.*（江蘇雪豹日化有限公司）(an indirect wholly-owned subsidiary of the Company) has failed to make housing provident fund payment for its employees prior to May 2015 and fully pay social insurance contributions for some of the employees for the period from January 2013 to May 2015. The Group has started to make housing provident fund payment and full payment of social insurance contributions for its employees since May and July 2015, respectively.

As far as the Board and the management are aware, save as disclosed above, 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 maintains 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.

* English names are translated for identification purpose only

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing 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 2016, the net proceeds from the Placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus HK$' million	**Actual use of proceeds up to 31 December 2016** HK$' million
Expand production and warehouse capacity	33.5	15.1
Strengthen the products research and development capabilities	7.0	3.6
Strengthen the leading position of the brand by advertisement and promotion	21.2	6.5
Expand the sales network	18.5	9.1
General working capital	7.9	2.0
Total	88.1	36.3

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 Shares were successfully listed on GEM on 8 July 2016. The net proceeds received by the Group as a result of the Placing were approximately HK$76.2 million, after deducting the underwriting fees and other listing expenses. With the corporate image strengthened by the Listing and the net proceeds received by the Group, the Directors feel confident 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 is in the course of the renovation of the new factory premises and installation of its facilities in its production base in Jiangyin, Jiangsu Province. Part of the net proceeds received from the Placing is applied to complete the expansion which is expected to take place in first half of 2017. The expansion will add extra production lines for the Group's oral care product and lead to the increase of the Group's total production capacity. The Directors believe that the new production workshops will enhance the Company's production and product development capabilities and further increase its competitiveness.

The economic outlook for 2017 remains uncertain. Competition in local market is expected to be fierce. To maintain our competitiveness in the market, the Group will continue to focus on the market for oral care products. On the other hand, the Group is currently developing new products (including formulae and product design) for the household hygiene products and leather care products to respond to the rapidly changing market demands.

EXECUTIVE DIRECTORS

Ms. Li Qiuyan（李秋雁）("Ms. Li"), aged 56, is the chairman and a controlling Shareholder (as defind under the GEM Listing Rules) of our Company. Ms. Li was first appointed as a director of our Company on 29 July 2015, and was redesignated as our executive Director on 17 June 2016. She was also appointed as the chairman of the nomination committee of the Board and a member of the remuneration committee of the Board on 17 June 2016. She is responsible for the overall management and formulation of business strategy of our Group. Ms. Li is the step-mother of Mr. Tong Xing, our executive Director and the chief executive officer of our Company. She is also the cousin of Ms. Du Yongwei, our executive Director.

Ms. Li was accredited as a senior economist by Jiangsu Province Human Resources and Social Protection Agency*（江蘇省人力資源和社會保障廳）in October 2012. She passed the Jiangyin City Advanced Enterprise Capital Management Training Course and Jiangsu Province Small and Medium-sized Enterprises Advanced Business Administration Training Course held by Nanjing University（南京大學）in the PRC in September 2011 and September 2012, respectively.

Ms. Li joined our Group in October 1992. She was the deputy head of factory of the school-run factory of Jiangyin Province Center Primary School* (江陰縣要塞中心小學校辦廠) (the "School-run Factory"), the predecessor of Jiangsu Snow Leopard Daily Chemical Co. Limited ("Jiangsu Snow Leopard"), from 1992 to August 1994. She was a deputy general manager of the School-run Factory and Jiangsu Snow Leopard from September 1994 to March 2002, and from April 2002 to October 2010, respectively. Ms. Li was the general manager of Jiangsu Snow Leopard from November 2010 to March 2012, and she has been the chairman of the board of directors of Jiangsu Snow Leopard since November 2010.

Ms. Li is also a supervisor of Jiangsu Jiangyin Rural Commercial Bank Company Limited*（江蘇江陰農村商業銀行股份有限公司）.

Mr. Tong Xing（童星）("Mr. Tong"), aged 41, was appointed as a director of our Company on 29 July 2015, and was redesignated as our executive Director on 17 June 2016. Mr. Tong is also the chief executive officer and a substantial Shareholder (as defined under the GEM Listing Rules) of our Company. He is primarily responsible for the overall management and operation of our Group. Mr. Tong is the step-son of Ms. Li, an executive Director and the chairman of our Company.

Mr. Tong was accredited as a senior economist by the Jiangsu Province Human Resources and Social Protection Agency*（江蘇省人力資源和社會保障廳）in August 2014. He completed an advanced MBA seminar provided by Tongji University（同濟大學）in the PRC in July 2003.

Mr. Tong joined our Group in April 1994. He worked at the School-run Factory, the predecessor of Jiangsu Snow Leopard, as a deputy business manager of the marketing department from April 1994 to August 1994, and was promoted to the position of business manager during the period between September 1994 and March 2002. From April 2002 to October 2010, Mr. Tong was the head of the marketing department of Jiangsu Snow Leopard. Mr. Tong was the vice chairman of the board of directors and deputy general manager of Jiangsu Snow Leopard from November 2011 to March 2012. He has been the general manager of Jiangsu Snow Leopard since April 2012.

Ms. Du Yongwei（杜永衛）, also known as Ms. Du Yongwei（杜咏衛）**("Ms. Du")**, aged 46, was appointed as a director of our Company on 29 July 2015, and was redesignated as our executive Director on 17 June 2016. She is primarily responsible for the overall financial and operation of our Group. Ms. Du is the cousin of Ms. Li, an executive Director and the chairman of our Company.

Ms. Du was accredited as an assistant engineer by Jiangyin Engineering Technology Senior Title Evaluating Committee*（江陰市鄉鎮工程技術高級職務評審委員會）in June 2001. In December 2011, Ms. Du was also accredited as a brand manager by China General Chamber of Commerce（中國商業聯合會）.

From October 1992 to March 1994, she worked as an accountant at the School-run Factory, the predecessor of Jiangsu Snow Leopard. Ms. Du was the deputy administrative officer of the School-run Factory from April 1994 to March 2002. She was the administrative officer of Jiangsu Snow Leopard between April 2002 and March 2012, and was also a director of Jiangsu Snow Leopard from November 2010 to March 2012. Ms. Du has been the deputy general manager of Jiangsu Snow Leopard since April 2012.

Ms. Du is also a supervisor of Shanghai Jielan Daily Chemical Company Limited*（上海潔瀾日化有限公司）

* English names are translated for identification purpose only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ye Jingzhong (葉敬仲), aged 66, was appointed as an independent non-executive Director on 17 June 2016, the chairman of the remuneration committee of the Board and a member of each of the audit committee of the Board and the nomination committee of the Board on 17 June 2016. He is primarily responsible for overseeing the management of our Group independently.

Mr. Ye graduated from Fudan University majoring in microbiology in January 1977 and has more than 34 years of experience in educational administrative role. From February 1978 to August 1982, Mr. Ye was a student mentor at the School of Life Sciences (the "School") of Fudan University. From August 1982 to May 1995, he was the administrative officer of the School. Mr. Ye became the associate dean of the School in May 1995 and served until April 1998. Thereafter, he served as the executive associate dean of the School from April 1998 to June 2003. Mr. Ye also undertook the position of secretary of the Communist Party Committee of the School from July 2002 to May 2012, and higher education management researcher from May 2008 to May 2012.

Mr. Ye is also a supervisor of Shanghai Bodao Genetic Technology Company Limited* (上海博道基因技術有限公司).

Mr. Qian Zaiyang (錢在揚), aged 60, was appointed as our independent non-executive Director on 17 June 2016 and a member of each of the audit committee of the Board, the nomination committee of the Board and the remuneration committee of the Board on 17 June 2016. He is primarily responsible for overseeing the management of our Group independently.

Mr. Qian graduated from the major of Physics in Yancheng Teachers University in the PRC in 1981. He was accredited as a journalist by Wuxi News Professional Skills Intermediate Position Appointment Qualification Review Committee* (無錫市新聞專業技術中級職務任職資格評審委員會) in September 1997. Mr. Qian undertook various positions at Huadong Information Daily Newspaper* (華東信息日報) (currently known as Wuxi Commercial Newspaper* (無錫商報)) from August 1997 to February 2007, including reporter, supervisor of the publication department and deputy supervisor of the economic and life department. He took a career break between February 2007 and June 2011.

Mr. Qian was the responsible person of the Wuxi branch of China Sida International Economic Technology Co-operation Company Limited* (中國四達國際經濟技術合作有限公司無錫分公司) from June 2011 until its dissolution in September 2013. Mr. Qian was also employed as the vice general manager of Jiangsu Jinmao Investment Management Company Limited* (江蘇金茂投資管理有限公司) (currently known as Jiangsu Jinmao Investment Management Shares Company Limited* (江蘇金茂投資管理股份有限公司)) from January 2012 to May 2013 and was principally responsible for project development, investigation and investment management of the company in Wuxi. Mr. Qian also undertook the position of visiting researcher at the Finance Research Institute of Jiangnan University from July 2010 to July 2013.

Mr. Tang Wai Yau (鄧維祐), aged 42, was appointed as our independent non-executive Director on 17 June 2016 and the chairman of the audit committee of the Board on 17 June 2016. He is primarily responsible for overseeing the management of our Group independently.

Mr. Tang graduated from the Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in November 1997. He is also a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountant. Mr. Tang has over 18 years of experience in the accounting profession.

From September 1997 to January 2009, Mr. Tang was employed by Deloitte and his position was senior manager at the time of his departure. During the period between 2009 and 2012, he worked at Shinewing CPA Limited as an audit principal. Mr. Tang was also an audit principal at KLC Kennic Lui & Co. CPA Limited from February 2009 to October 2009, and has been a director since July 2014. Mr. Tang started his own consulting business advising clients on finance and accounting related matters in 2013 and he has subsequently carried on the business through LF Consulting Company Limited as a director since February 2014. Mr. Tang is currently a director of KLC Kennic Lui & Co. CPA Limited and LF Consulting Company Limited.

Saved as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information in relation to the Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as at the date of this report.

SENIOR MANAGEMENT

Mr. Lau Shun Pong Johnson（劉信邦）, aged 43, has been the chief financial officer of our Group since July 2015 and was appointed as the company secretary of the Company on 17 June 2016. Mr. Lau is responsible for the overall financial management and company secretarial work of our Group. Mr. Lau obtained a bachelor's degree in Commerce in April 1996 from Monash University, Australia. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants. Mr. Lau has over 18 years of experience in the accounting profession. Prior to joining our Group, Mr. Lau was employed by Deloitte Touche Tohmatsu CPA Ltd. in Hong Kong and Beijing from 1997 to 2004 and his position was audit manager at the time of his departure.

During the period between 2004 and 2013, Mr. Lau worked in various public companies listed in the United States and England as director of finance and chief financial officer. Mr. Lau was the chief financial officer and was subsequently an executive director of Haike Chemical Group Limited, a company listed on the London Stock Exchange (LSE code: HAIK), from December 2006 to March 2009. Mr. Lau subsequently resigned as chief financial officer and was redesignated as a non-executive director of Haike Chemical Group Limited in March 2009. He retired as a non-executive director in January 2010. From April 2009, Mr. Lau was employed by AutoChina International Limited, a company listed on the NASDAQ Capital Market and subsequently quoted on the OTC Bulletin Board (NASDAQ/OTC code: AUTCF) as chief financial officer. He was redesignated as the director of finance in July 2009 and subsequently departed in June 2013.

From June 2010 to January 2013, Mr. Lau was an independent director of Lizhan Environmental Corporation (NASDAQ code: LZEN). Mr. Lau was the chief financial officer of SGOCO Group, Ltd., a company listed on the NASDAQ Capital Market (NASDAQ code: SGOC), from July 2013 to June 2015. Mr. Lau is currently an independent director of SkyPeople Juice, Inc. (NASDAQ code: SPU).

Mr. Xiang Dongliang（項東亮）, aged 35, has been the head of the planning department of our Group since January 2012 and is responsible for the strategic planning and internal training of our Group.

Mr. Xiang obtained a bachelor's degree in Engineering (Chemical Engineering) and completed a second major in International Economics and Trade from Jiangnan University（江南大學）in the PRC in June 2005. He also obtained a Master's degree in Engineering (Food Science and Engineering, Food Trade and Culture) from Jiangnan University in the PRC in June 2008.

Prior to joining our Group, Mr. Xiang worked at Ningguo Lake Forest Science and Technology Park Company Limited*（寧國森林湖科技園有限責任公司）from June 2008 to June 2010. At the time of his departure, he was the deputy general manager and assistant to the chairman.

Mr. Xu Zhiliang（徐志良）, aged 54, has been the head of research and development department of our Group since June 2003 and is responsible for technology research and development of our Group.

Mr. Xu was accredited as an engineer by the People's Government of Chongming County*（崇明縣人民政府）in September 1995. He graduated from the Shanghai Jiao Tong University（上海交通大學）in the PRC majoring in Standardisation in April 1993. He has been a committee member of China Oral Care Industry Association since May 2014.

Prior to joining our Group, Mr. Xu worked at Shanghai Shengli Rihua Factory*（上海市勝利日化廠）as a technician from 1980 to 1982. He worked as the head of technical division at Shanghai Shengli Rihua jointly-operated Factory*（上海市勝利日化聯營廠）during the period between 1983 and 1993, and was a factory manager from 1994 to 1997. He worked as a deputy general manager of Shanghai Victoria Bio-Chemical Products Factory*（上海維多俐生物化學品廠）from 1998 to 2003.

* English names are translated for identification purpose only

COMPANY SECRETARY

Mr. Lau Shun Pong Johnson is the company secretary of our Company. Details of his qualifications and experience are set out in the paragraph headed "Senior Management" above.

The Directors present to the Shareholders this report and the audited consolidated financial statements of the Company and its subsidiaries for the Year.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiary are set out in notes 1 and 33 to the consolidated financial statement in this report. There were no significant changes in the nature of the Group's activities during the Year.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 43 of this report.

BUSINESS REVIEW

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" on pages 6 to 13 of this report. These discussions form part of this directors' report.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2015: nil).

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on 25 May 2017 (Thursday) 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 on 22 May 2017 (Monday) to on 25 May 2017 (Thursday), both day inclusive, during which period no transfer of Shares will be registered. The record date will be on 19 May 2017 (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 19 May 2017 (Friday).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements in this report.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out in note 33 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the Year by operating segment is set out in note 8 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements in this report and the Appendix I of the Prospectus. This summary does not form part of the audited consolidated financial statements in this report.

BANK AND OTHER BORROWINGS

Details of the Group's bank and other borrowings as at 31 December 2016 are set out in note 24 to the consolidated financial statements in this report.

SHARE CAPITAL

Details of the Company's share capital for the Year are set out in note 27 to the consolidated financial statements in this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the Year.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year and up to the date of this report.

TRANSFER TO RESERVES

Profit attributable to equity shareholders of approximately RMB780,000 has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 45 of this report.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Apart from the reorganisation of the Group in relation to the Listing, during the Year and up to the date of this report, there was no material acquisition, disposal or investment by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 17% of the total sales for the Year and sales to the largest customer included therein accounted for approximately 5% of the total sales for the Year. Purchase from the Group's five largest suppliers accounted for approximately 31% of the total purchase for the Year and purchase from the Group's largest supplier included therein accounted for approximately 11% of the total purchase for the Year.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

During the Year and up to the date of this report, the Directors are:

Executive Directors:

Ms. Li Qiuyan *(Chairman) (appointed on 17 June 2016)* *(Note)*
Mr. Tong Xing *(Chief executive officer) (appointed on 17 June 2016)* *(Note)*
Ms. Du Yongwei *(appointed on 17 June 2016)* *(Note)*

Independent non-executive Directors:

Mr. Ye Jingzhong *(appointed on 17 June 2016)*
Mr. Qian Zaiyang *(appointed on 17 June 2016)*
Mr. Tang Wai Yau *(appointed on 17 June 2016)*

By virtue of Article 108(a) of the articles of association of the Company, Ms. Du Yongwei will retire at the forthcoming AGM and, being eligible, will offer herself for re-election at the said meeting.

By virtue of Article 112 of the articles of association of the Company, Mr. Ye Jingzhong, Mr. Qian Zaiyang and Mr. Tang Wai Yau will retire at the forthcoming AGM and, all being eligible, will offer themselves for re-election at the said meeting.

Note: Ms. Li Qiuyan, Mr. Tong Xing and Ms. Du Yongwei were appointed as Directors on 29 July 2015 and re-designated as executive Directors on 17 June 2016.

DIRECTORS' SERVICE CONTRACT

Each of the Directors has entered into a service contract with the Company for an initial term of 3 years commencing from the Listing Date, which may only be terminated in accordance with the provision of the service contract or by (i) the Company giving to any Director not less than three months prior notice in writing or (ii) any Director giving to the Company not less than three months prior notice in writing, and are subject to rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 14 to 16 of this report.

DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Details of the Directors' emoluments and the five individuals with the highest emoluments are set out in notes 15 respectively to the consolidated financial statements in this report.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN CONTRACTS

Apart from the contracts relating to the reorganisation of the Group in relation to the Listing and save as disclosed in this report, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year. Apart from the contract relating to the reorganisation of the Group in relation to the Listing, no contract of significance has been entered into during the Year between the Company or any of its subsidiaries and the controlling Shareholders or any its subsidiaries.

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into during the Year and as at the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the controlling Shareholders 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 report.

Each of the controlling Shareholders of the Company, namely Ms. Li and ChongBo Mary Investment Limited (together, the "Covenantors"), has entered into a deed of non-competition on 17 June 2016 (the "Deed of Non-competition"). Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus and the non-competition undertaking has become effective from the Listing Date.

Each of the Covenantors declared that they have complied with the Deed of Non-competition. The independent non-executive Directors have conducted such review for the period from the Listing Date to 31 December 2016 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied.

DISTRIBUTION RESERVES

As at 31 December 2016, the Company's reserves available for distribution to the Shareholders represented the share premium, capital reserve, PRC statutory reserve, translation reserve and retained profits and amounted to approximately RMB195.1 million.

Details of movements in the reserves of the Company and the Group during the Year are set out in note 28 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, First Shanghai Capital Limited (the "Compliance Adviser"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 28 August 2015, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

As at 31 December 2016, the interest and short position of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long position in the ordinary shares of the Company:

Name of Director	Capacity/Nature	No. of Shares held/interested in	Approximate percentage of interest
Ms. Li Qiuyan	Interest in a controlled corporation *(Note 1)*	637,500,000	63.75%
Mr. Tong Xing	Interest in a controlled corporation *(Note 2)*	112,500,000	11.25%

Notes:

1. Ms. Li beneficially owns the entire issued share capital of ChongBo Mary Investment Limited ("ChongBo Mary"). Therefore, Ms. Li is deemed, or taken to be, interested in the Shares held by ChongBo Mary for the purposes of the SFO. Ms. Li is a director of ChongBo Mary.

2. Mr. Tong beneficially owns the entire issued share capital of Tong Xing Holding Group Limited ("Tong Xing Holding"). Therefore, Mr. Tong is deemed, or taken to be, interested in the Shares held by Tong Xing Holding for the purposes of the SFO. Mr. Tong is a director of Tong Xing Holding,

Long position in the shares of associated corporation:

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held/ interested in	Approximate percentage of interest
Ms. Li	ChongBo Mary	Beneficial owner	1	100%

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

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

As at 31 December 2016, so far as the Directors are aware, the following persons (not being Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO and/or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the ordinary shares of the Company:

Name	Capacity/Nature	No. of Shares held/ interested in	Approximate percentage of interest
ChongBo Mary	Beneficial owner	637,500,000	63.75%
Tong Xing Holding	Beneficial owner	112,500,000	11.25%
Mr. Tong Yu	Interest of spouse *(Note 1)*	637,500,000	63.75%
Ms. Zhang Li	Interest of spouse *(Note 2)*	112,500,000	11.25%

Notes:

1. Mr. Tong Yu is the spouse of Ms. Li. Accordingly, Mr. Tong Yu is deemed, or taken to be, interested in all the Shares in which Ms. Li is interested in for the purposes of the SFO. Mr. Tong Yu is the father of Mr. Tong.

2. Ms. Zhang Li is the spouse of Mr. Tong. Accordingly, Ms. Zhang Li is deemed, or taken to be, interested in the Shares held by Mr. Tong for the purposes of the SFO.

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO, and/or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraphs headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations" above, and 'Share Option Scheme" below, at no time during the Year was the Company, its holding company, or subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

CONNECTED TRANSACTIONS

From the Listing Date to 31 December 2016, there were no connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules. Details of significant related party transactions undertaken in the usual course of business are set out in note 32 to the consolidated financial statements. None of these related party transactions constitute a discloseable connected transaction as defined under the GEM Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 17 June 2016 (the "Adoption Date"). The following is a summary of the principal terms and conditions of the Share Option Scheme.

1. Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

2. Participants

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe at a price calculated in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

3. Maximum Number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of all the Shares in issue as at the Listing Date of the Company (i.e. a total of 100,000,000 Shares representing 10% of the issued share capital of the Company as at the date of this report).

4. **Maximum Entitlement of Each Participant and Connected Persons**

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option scheme of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

5. **Time of exercise of option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

6. **Performance Target**

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

7. **Price of Shares**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

8. **Rights are Personal to Grantee**

An option shall not be transferable or assignable and shall be personal to grantee of the option. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option (where the grantee is a company, any change of its major shareholder or any substantial change in its management will be deemed to be a sale or transfer of interest as aforesaid). Any breach of these restrictions will automatically render the option lapsed.

9. **Period of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof.

Since the adoption of the Share Option Scheme and up to the date of this report, no share options have been granted pursuant to the Share Option Scheme.

There is no option outstanding, granted, cancelled and lapsed during the Year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 330 employees (2015: 295), including the Directors. The Directors and senior management receive compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to the performance of the Group. When reviewing and determining the specific remuneration package for the Directors and senior management, the Company takes into consideration factors such as among other things, the economic situtation, the market level of salaries paid by comparable companies, the respective responsibilities and duties of the individual and the performance of the individual and the Group. The remuneration committee of the Board is set up for reviewing the Group's emolument policy and structure for the remuneration of the Directors.

The Group's remuneration to employees includes salaries and allowances.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 26 to 32 of this report.

CHARITABLE DONATIONS

During the Year, the Group had made charitable and other donation for approximately RMB650,000 (2015: nil).

CONFIRMATION OF INDEPENDENCE

The Company has received from the independent non-executive Directors an annual confirmation pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors are independent to the Company.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors has been in force since the Listing Date and as at the date of this report. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

EVENT AFTER THE BALANCE SHEET DATE

There was no important events affecting the Group that have occurred since the end of the Year to the date of this report.

PUBLIC FLOAT

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

AUDITORS

SHINEWING (HK) CPA Limited has acted as auditors of the Company during the Year. The Company has not changed its external auditors during the Year and up to the date of this report.

SHINEWING (HK) CPA Limited will retire and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditors of the Company is to be proposed at the forthcoming AGM.

By Order of the Board of
China Golden Classic Group Limited
Ms. Li Qiuyan
Chairman

Hong Kong, 27 March 2017

CORPORATE GOVERNANCE PRACTICES

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the year ended 31 December 2016.

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 period from 8 July 2016, i.e. the Listing Date, to 31 December 2016, 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 provision A.2.7 of the Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. The Chairman did not hold such meeting with the non-executive Directors for the Year since the Shares of the Company were listed in July 2016.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

Pursuant to Article 108(a) of the articles of association of the Company, at every annual general meeting of the Company one third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

DIRECTORS SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of the Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, which may only be terminated in accordance with the provision of the service contract or by (i) the Company giving to any Director not less than three months' prior notice in writing or (ii) any Director giving to the Company not less than three month's prior notice in writing.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

SECURITIES TRANSACTIONS BY DIRECTORS

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 from the Listing Date and up to the date of this report.

BOARD OF DIRECTORS

The Board comprised three executive Directors and three independent non-executive Directors as at the date of this report, details of which are set out below:

Executive Directors:

Ms Li Qiuyan *(Chairman)*
Mr. Tong Xing *(Chief executive officer)*
Ms. Du Yongwei

Independent non-executive Directors:

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

The brief biographic details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 14 to 16 of this report.

Ms. Li Qiuyan is the step-mother of Mr. Tong Xing, our executive Director and the chief executive officer of our Company. She is also the cousin of Ms. Du Yongwei, our executive Director.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders while taking into account the interests of other stakeholders. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

The Board is also delegated with corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

BOARD MEETING AND PROCEDURES

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the Code, at least 14 days' notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors with reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments on the final version of which are endorsed in the subsequent Board meeting.

Each of the executive Directors and independent non-executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date.

Every Director is subject to re-election on retirement by rotation in accordance with the articles of association of the Company.

Details of the attendance of the Board meetings, audit committee (the "Audit Committee") meeting, remuneration committee (the "Remuneration Committee") meeting and nomination committee (the "Nomination Committee") meeting of the Company held from the Listing Date to 31 December 2016 are summarised as follows:

	Board meetings	Audit Committee meetings	Remuneration Committee meetings *(Note 1)*	Nomination Committee meetings *(Note 2)*
Executive Directors				
Ms. Li Qiu Yan	2/2	N/A	–	–
Mr. Tong Xing	2/2	N/A	N/A	N/A
Ms. Du Yongwei	2/2	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Ye Jingzhong	2/2	2/2	–	–
Mr. Qian Zaiyang	2/2	2/2	–	–
Mr. Tang Wai Yau	2/2	2/2	N/A	N/A

Notes:

1. No Remuneration Committee meeting was held from the Listing Date to 31 December 2016.

2. No Nomination Committee meeting was held from the Listing Date to 31 December 2016.

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with written terms of reference which are available for viewing on the website of the Company to assist them in efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

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.

From the Listing Date to the date of this report, the Audit Committee had reviewed the Group's financial results for the six months ended 30 June 2016 and nine months ended 30 September 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 report, and confirmed that this report complies with the GEM Listing Rules.

The Audit Committee held 2 meetings from the Listing Date to 31 December 2016. Details of the attendance of the Audit Committee at the Audit Committee meetings are set out above.

REMUNERATION COMMITTEE

The Company established the Remuneration 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 Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and ensure that none of the Directors determine their own remuneration. The Remuneration Committee consists of three members, namely Mr. Ye Jingzhong (an independent non-executive Director) (Chairman), Ms. Li Qiuyan (an executive Director) and Mr. Qian Zaiyang (an independent non-executive Director).

No Remuneration Committee meeting was held from the Listing Date to 31 December 2016.

NOMINATION COMMITTEE

The Company established the Nomination 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 Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or re-appointment of Directors. The Nomination Committee consists of three members, namely Ms. Li Qiuyan (an executive Director) (Chairman), Mr. Ye Jingzhong (an independent non-executive Director) and Mr. Qian Zaiyang (an independent non-executive Director).

No Nomination Committee meeting was held from the Listing Date to 31 December 2016.

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service; and

2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

In compliance with the code provision A.6.5 of the Code, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors had provided the relevant record to the Company for the Year.

The Company is committed in arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

COMPANY SECRETARY

The Board had appointed Mr. Lau Shun Pong Johnson as the company secretary (the "Company Secretary") and an authorised representative of the Company on 17 June 2016.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that board procedures are followed and facilitating communications among Directors as well as with Shareholders and management. For the year under review, the Company Secretary confirmed that he has undertaken no less than 15 hours of relevant professional training.

The Company Secretary's biographies are set out in the section headed "Biographies of Directors and Senior Management" of this report.

SENIOR MANAGEMENT REMUNERATION

The Senior Management's remuneration payment of the Group in the Year falls within the following band:

	Number of individuals
HK$1,000,000 or below	3
HK$1,000,001 to HK$1,500,000	Nil
HK$1,500,001 to HK$2,000,000	Nil

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period in accordance with accounting principles generally accepted in Hong Kong. The statement by auditors of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this report. The Directors have adopted the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITORS' REMUNERATION

The Company engaged Shinewing (HK) CPA Limited as its external auditors for the Year. There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. During the Year, the fee paid or payable to Shinewing (HK) CPA Limited in respect of its statutory audit services provided to the Group was RMB714,400. Fees for non-audit services for the same period were RMB357,200, consisting of services provided in connection with the Listing and the review of the Group's financial results for the six months ended 30 June 2016 and nine months ended 30 September 2016.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment.

The Group's risk management framework includes the following elements:

- identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business;

- develop necessary measures to manage those risks;

- monitor and review the effectiveness of such measures.

The Company does not have internal audit department, but the Company engaged an external internal control consultant to conduct review on the effectiveness of the Group's internal control system and reporting to the Audit Committee and the Board. In addition, there is regular dialogue by the Audit Committee with the Group's external auditors so that both are aware of the significant factors which may affect the effectiveness of the internal control systems.

A review of the effectiveness of the Group's system of internal control covering all key controls, including financial, operational and compliance and risk management controls, is conducted by rotation and performed annually. For the Year, the review based on a framework which assesses the Group's internal control system into human resources cycle, fixed assets investment cycle and treasury and cash management cycle against control environment, risk management and control and monitoring activities on all major business and operational processes. The examination consisted of enquiry, discussion and validation through observation and inspection (if necessary). The result of the review has been reported to the Audit Committee and areas of improvement, if any, have been identified and appropriate measures have been put in place to manage the risks. Based on the reports from the Group's external internal control consultant, Audit Committee and the Board considers the Group's risk management and internal control system is adequate and effective and the Group has complied with the provisions on risk management and internal controls as set out in the Code.

GENERAL MEETING WITH SHAREHOLDERS

Since the Listing Date and up to the date of this report, no general meeting had been held and the Company's forthcoming annual general meeting will be held on 25 May 2017.

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 64 of the articles of association of the Company, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep Shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the Shareholders through financial reports and announcements. The Company has established its own corporate website (www.goldenclassicbio.com) as a channel to facilitate effective communication with its Shareholders and the public. The Company will continue to enhance communications and relationships with its Shareholders and investors. A shareholders communication policy was adopted on 17 June 2016 to comply with code provision E.1.4 of the Code.

Shareholders, investors and interested parties can make enquiries directly to the Company through the following e-mail: johnson@xuebao.com.cn.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address:	Flat B, 19/F, Times Media Centre, 133 Wan Chai Road, Wan Chai, Hong Kong
Tel:	3152 3579
E-mail:	johnson@xuebao.com.cn

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the Shareholders' questions.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 113 of the articles of association of the Company, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the articles of association of the Company will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company from the Listing Date to 31 December 2016.

SCOPE AND REPORTING PERIOD

This is the first ESG report by the Group, highlighting its Environmental, Social, and Governance (the "ESG") performance, with disclosure reference made to the ESG Reporting Guide as set out in Appendix 20 of the GEM Listing Rules.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in the PRC including the headquarter office and production facilities from 1 January 2016 to 31 December 2016, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees of the Group have been involved in regular engagement sessions to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at johnson@xuebao.com.cn.

A. ENVIRONMENTAL

To demonstrate the Group's commitment to sustainable development and compliance with laws and regulations relating to environmental protection, the Group endeavors to minimise the environmental impact of the business activities and maintain green operations and green office practices.

The Group has established system to ensure environmental compliance. It seeks to optimise its production by adopting low energy consumption and environmental pollution techniques, implementing environmental-friendly waste disposal methods and enhancing the environmental awareness of the employees through regular trainings. The Group has also appointed a dedicated staff to monitor the Group's compliance with relevant laws and regulations as well as review and update our internal environmental protection policies. The management team has the overall responsibility for environmental protection matters within the Group. The management team reviews the Group's environmental compliance on a quarterly basis and deal with pollution accidents in a timely manner.

The Group maintains the environmental management system in conformity to the internationally applied environmental protection system requirement – ISO14001:2004. The Group was accredited by the certification body recognised by AQSIQ since 2009, which demonstrates the waste discharge system meets the standard of environment protection. In 2015, the Group was also recognised as enterprise with "Good Environmental Protection Credit" by the Jiangyin Environmental Protection Committee*（江陰市環境保護委員會）under the appraisal system.

* English names are translated for identification purpose only

EMISSIONS

The manufacturing process of the Group produces certain amount of waste water, solid waste and to a lesser extent gases. In accordance with relevant environmental laws and regulations and our relevant environmental policies, the Group must ensure that national emissions standards are met. Regular assessments are conducted on the air and greenhouse gas emissions of the production facilities, as well as the generation and disposal of hazardous and non-hazardous waste. The relevant PRC national and local environmental laws and regulations also require the payment of fees in connection with activities that discharge waste materials and impose fines and other penalties on facilities that threaten the environment. During the Year, the Group has been maintaining the necessary pollutant discharging licenses issued by competent environment protection authorities for discharging waste water, solid waste and gases.

The Company does not generate significant air emissions or hazardous waste. Non-hazardous waste from the Group's operation includes packaging materials, paper for office use and sales and marketing purposes. Packaging materials such as used carton containers were normally reused for temporary storage during the production process before disposed to landfills.

USE OF RESOURCES

The resources used by the Group are principally attributed to electricity and water consumed at its production facilities and office. Under our relevant environmental policies, the Group proactively seeks opportunities for increasing operating efficiency to reduce the use of resources, such as energy savings on lights and air-conditioning systems. The Group also closely monitors the utilisation of resources and reports to senior management on this aspect of performance.

THE ENVIRONMENT AND NATURAL RESOURCES

Due to the nature of the business, in addition to the above-mentioned emissions and resource usage, the Group does not have any direct and significant impacts on the environment and natural resources in the course of its operation.

The Group has established system to ensure environmental compliance. It seeks to optimise the production by adopting low energy consumption and environmental pollution techniques, implementing environmental-friendly waste disposal methods and enhancing the environmental awareness of the employees through regular trainings. The Group has also appointed a dedicated staff to monitor the Group's compliance with relevant laws and regulations as well as review and update the internal environmental protection policies. Under our relevant environmental policies, the management team has the overall responsibility for environmental protection matters within the Group. The management team reviews the Group's environmental compliance on a quarterly basis and deal with pollution accidents in a timely manner.

B. SOCIAL

The Company believes that one of the key aspects of its success is the good relationship it maintains with employees. With the aim of ensuring employee satisfaction, the Company provides competitive employee benefits and comprehensive training programs to encourage employees to achieve their potential and put their abilities to good use. Furthermore, the Company provides for a number of staff activities to enhance employees' sense of belonging and to help create a friendly and harmonious working environment.

EMPLOYMENT AND LABOR PRACTICES

Employment

The Group had a total number of 330 employees as of 31 December 2016 (2015: 295), in which all of them are working as full time staff.

The Employee's age and gender distribution as of 31 December 2016 are as follows:

	18-25	26-35	36-45	46-55	Above 56	Male	Female	Percentage
Age	8%	32%	35%	20%	5%			100%
Gender						36%	64%	100%

The Employee's age and gender distribution as of 31 December 2015 are as follows:

	18-25	26-35	36-45	46-55	Above 56	Male	Female	Percentage
Age	8%	34%	37%	16%	5%			100%
Gender						38%	62%	100%

Employees are regarded as the greatest and valuable assets and core competitive advantage of the Group and also provide driving force for the continuous innovation of the Group. The Group rewards and recognises performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement. Also, in order to provide a good and fair working environment and safeguards the well-being of the employees, the Group considers all those valuable opinions from the employees for enhancing workplace productivity and harmony which can help the Group to build a united and harmonious team.

The Group strictly complies with relevant laws and regulations in the PRC and Hong Kong, and the relevant administrative rules and measures are strictly enforced. These rules and regulations specify the requirements relating to employment, labor relations, employees' remuneration and welfare to protect the rights of employees.

We strictly complied with the laws, regulations and policies regarding the social security in the PRC and Hong Kong's Mandatory Provident Fund Schemes Ordinance. The Group paid social insurances, housing fund and/or mandatory provident fund in a timely manner for all the staff.

Health and Safety

The Group has been committed to protect employees' health and safety. It maintains the occupational health and workplace safety management system and policies in conformity to the internationally applied occupational health and safety management systems requirements – OHSAS18001:2007 and in strict compliance with the relevant regulations in the PRC and Hong Kong. The Group was accredited by the certification body recognised by AQSIQ since 2012, which demonstrates its work place environment attests to a high safety standard. It builds a solid foundation for safe operation. During the Year, the Group did not encounter any major accidents during the operation.

Development and Training

Skilled employees who are capable to meet the demands of a dynamic industry is crucial to the success of the Group. Training is an important way to improve the overall quality and provide comprehensive development of the employees. The Group has continuously perfected and modified the employee training management system, established a multi-level training system, created various learning opportunities for the employees, in order to enhance their competence, job skills, knowledge and performance. The Group also encourages the employees to identify their own personal objectives for development, allowing them to grow together with the Group.

In daily operations, the Group provides induction training for new employees. Experienced employees will act as mentors to guide the new comers on jobs. Such arrangements can enhance the communication and team spirit, also improve their technical skills and managerial capability and encourage the learning and further development of the employees at all levels. The Group arranges the trainings designated according to the roles and responsibilities of the employees, mainly includes human resources management, managerial skills, legal affairs, risk management, project running, financial and auditing, technical research and development, environmental protection, occupational health and safety etc. The Group also updates the latest information of the industry and laws and regulations which is essential to the Group's operation and their job responsibilities from time to time.

Labor Standards

The Group's recruitment management system measures clearly on the staff's age requirement. Review and verification of applicant's identity information is required during the recruitment process, and recruitment of child labor is strictly prohibited. Applicant is also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience will not be employed. The Group provides its staff with a safe, health, comfortable working environment with labor protection, reasonable remuneration and various welfares. The Group enters employment contract with each of its employee in accordance with relevant laws and regulations in the PRC and Hong Kong and also prohibits forced labor.

OPERATING PRACTICES

Supply Chain Management

To provide top quality services to customers, the Group carefully sourced its raw materials, packaging materials and equipment with standardised procurement procedure and policies. The Group's procurement policy and its comprehensive procurement management systems help screening out undesirable products in the aspects of raw materials, packaging materials and equipment selection, product formulation, product packaging, quality management system in factories, transportation, etc.

Suppliers for raw materials, packaging materials and equipment are selected based upon rational and clear criteria, such as reputation, technical skills and consistent production quality, compliance with national and/or industrial standards, so as to procure superior goods and services from the most competitive sources. The Group's research and development department set out product specification for the suppliers to follow, while the quality control department performs sample test to ensure that goods and materials received by the Group are in compliance with the quality and specifications before they are accepted and transferred to the warehouse.

Product Responsibility

The Group aims to achieve the highest possible standard with all the products sold. The Group has established relevant policies which cover product quality guarantee and safety and set up a dedicated quality control department which comprise 8 staff who have an average industry experience of approximately 8 years. They work in collaboration with the Group's research and development department, procurement department and production and warehousing department to ensure that the products are of high quality and safe and comply with all applicable laws and regulations.

The Group sends its products to the relevant product quality supervision and testing institutions for testing (i) before introducing new products to the market and (ii) on an annual basis. In addition, to further ensure the safety and efficacy of the oral care products, the Group engaged several reputable medical institutions to conduct clinical study, toxicity test and irritation test on its oral care products. The test results show that the oral care products could effectively suppress and prevent various oral problems and is safe for ordinary use.

The Group has obtained and been maintaining the required permits, licenses and approvals such as the National Industrial Product Manufacturer Licensing Certificates*（全國工業品生產許可證）. It also maintains quality control of the design, development and production procedure of its products in conformity to the internationally applied quality management systems requirement – ISO9001:2008. The Group was accredited by the certification body recognised by AQSIQ since 2003. The certifications demonstrate that the quality control system has met a high degree of assurance.

The Group recognises that the quality of the products is crucial to the goodwill and image of the brands. The sales department and quality control department of the Group are responsible for processing any comments and/or complaints from the customers. The Group is committed to and place emphasis on the feedback of the customers on its products. They have implemented after sales services, such as customer service hotlines, manuals on handling customers' complaints and follow-up procedures. The Group generally deals with and processes the complaints in cooperation with the relevant distributors or retailers and provide replies and solutions within 5 days.

Anti-corruption

All of the Group's operations comply with local and national legislation on standards of conduct, such as the relevant legislation on anti-corruption and bribery in the PRC and the Prevention of Bribery Ordinance in Hong Kong.

The Group requires employees to strictly conform to code of business ethics and put any corruption bribe behavior to an end as stipulated in the employment contracts and the relevant policies of the Group. In the cases of conflict of interest, it must be reported to the Group's management. Employees who engage in business operations and represent the Company's professional image, are strictly prohibited to use business opportunities or power for personal interest or benefit.

COMMUNITY

Community Investment

The Group always seeks to be a positive force in the communities in which it operates and maintain close communications and interactions with the communities in order to contribute to local development.

The Group believes that the creation of a peaceful community relies on the cooperation of people, corporations and the government. By working together with various community partners, the Group believes can bring a tremendous impact on the sustainable development of the communities in which it operates.

The Group will also actively encourage staff to volunteer their time and skills to benefit local communities. It gives employees the opportunities to find out more about the issues of the society and environment and reinforce the Group's corporate values.

The Group will consider from time to time to donate to charitable organisations when the Group records profit after tax and have sufficient cash flow. During the Year, the Group donated approximately RMB580,000 to the Community Chest of Hong Kong. The Group has also donated approximately RMB70,000 to various local sports and charity associations in Jiangsu Province, the PRC.

* English names are translated for identification purpose only

Independent Auditor's Report

TO THE MEMBERS OF CHINA GOLDEN CLASSIC GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Golden Classic Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 43 to 101, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVENTORIES

Refer to note 19 to the consolidated financial statements and the accounting policies on page 60.

The key audit matter	How the matter was addressed in our audit
We have identified valuation of inventories as a key audit matter because the Group has significant amount of inventories of approximately RMB29 million, representing 17% of the Group's current assets as at 31 December 2016. Provisions consideration included inventory aging profiles and the determination of the methods and assumptions as well as period to use to determine the percentages to apply to aged inventory as a result of changing trends requires significant judgment based on experience.	Our audit procedures were designed to assess the judgement and assumptions used by the management in calculating the inventory provisions. We reviewed management's identification of slow moving and obsolete inventories, and critically assessed whether appropriate provisions had been established for slow moving and obsolete items. When considering management's assessment, we had also taken into account the most recent prices achieved on sales across the product lines and the adequacy of provision for inventories. We considered the methodology and assumptions and compared to those used in prior years for consistency. We also assessed the reliability of management's assessment by considering the utilisation or release of previously recorded provisions and the net realisable value for all classes of inventories.

RECOVERABILITY OF TRADE RECEIVABLES

Refer to note 20 to the consolidated financial statements and the accounting policies on page 61.

The key audit matter	How the matter was addressed in our audit
Trade receivables are measured at amortised cost using the effective interest method, less any identified impairment loss. We have identified recoverability of trade receivables as a key audit matter because the Group has significant amount of trade receivables of approximately RMB49 million, representing 29% of the Group's current assets as at 31 December 2016. The allowance for impairment of trade receivables is considered to be a matter of significance as it requires the application of judgement and use of subjective assumptions by management. The Group records specific allowances of trade receivables.	Our procedures were designed to review the management's assessment of the indicators of impairment and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts. We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. We have challenged the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end and cash received after year end, as well as the recent creditworthiness of each debtor.

OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee of the Company ("Audit Committee") is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
27 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	**2016**	2015
		RMB'000	RMB'000
Revenue	*8*	**296,336**	283,101
Cost of sales		**(152,478)**	(154,350)
Gross profit		**143,858**	128,751
Other income	*9*	**4,880**	1,407
Selling and distribution costs		**(87,820)**	(58,741)
Administrative expenses		**(44,583)**	(36,156)
Finance costs	*10*	**(2,683)**	(2,061)
Profit before tax		**13,652**	33,200
Income tax expenses	*11*	**(3,050)**	(5,041)
Profit for the year	*12*	**10,602**	28,159
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(780)**	(983)
Total comprehensive income for the year attributable to owners of the Company		**9,822**	27,176
Earnings per share			
– Basic and diluted (RMB cents)	*14*	**1.22**	3.75

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	**2016**	2015
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	*16*	**139,292**	125,247
Prepaid lease payments	*17*	**18,916**	19,365
Intangible assets	*18*	**59**	199
Deposits paid for acquisition of property, plant and equipment		**4,458**	3,857
Deferred tax assets	*26*	**933**	1,654
		163,658	150,322
Current assets			
Inventories	*19*	**28,609**	22,816
Trade and other receivables	*20*	**60,704**	45,090
Prepaid lease payments	*17*	**449**	449
Bank balances and cash	*21*	**78,942**	25,344
		168,704	93,699
Current liabilities			
Trade and other payables	*22*	**75,303**	86,010
Amount due to a shareholder	*23*	**–**	1,959
Amounts due to related parties	*23*	**–**	13,047
Income tax payables		**474**	2,124
Bank and other borrowings	*24*	**52,807**	30,000
Deferred revenue	*25*	**83**	–
		128,667	133,140
Net current assets (liabilities)		**40,037**	(39,441)
Net assets		**203,695**	110,881
Capital and reserves			
Share capital	*27*	**8,606**	–
Reserves		**195,089**	110,881
		203,695	110,881

The consolidated financial statements on pages 43 to 101 were approved and authorised for issue by the board of directors on 27 March 2017 and are signed on its behalf by:

Ms. Li Qiuyan
Director

Mr. Tong Xing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital RMB'000 Note 27(a) (i),(ii)	Share premium RMB'000 Note 27(a) (iii),(iv)	Capital reserve RMB'000 Note 27(b) (ii)	PRC statutory reserve RMB'000 Note 27(b) (i)	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015	15	–	–	30,059	3,966	49,665	83,705
Profit for the year	–	–	–	–	–	28,159	28,159
Other comprehensive income for the year:							
Exchange difference arising on translation of foreign operations	–	–	–	–	(983)	–	(983)
Total comprehensive (expense) income for the year	–	–	–	–	(983)	28,159	27,176
Issue of shares (note 27)	–	–	–	–	–	–	–
Reorganisation	(15)	–	15	–	–	–	–
Transfer to statutory reserve	–	–	–	8,114	–	(8,114)	–
At 31 December 2015	–	–	15	38,173	2,983	69,710	110,881

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital RMB'000 Note 27(a) (i),(ii)	Share premium RMB'000 Note 27(a) (iii),(iv)	Capital reserve RMB'000 Note 27(b) (ii)	PRC statutory reserve RMB'000 Note 27(b) (i)	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2015 and 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 reverse	–	–	–	4,668	–	(4,668)	–
At 31 December 2016	8,606	74,386	15	42,841	2,203	75,644	203,695

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**13,652**	33,200
Adjustments for:		
Depreciation for property, plant and equipment	**6,015**	5,690
Amortisation of intangible assets	**140**	140
Amortisation of prepaid lease payments	**449**	449
Finance costs	**2,683**	2,061
Write back of impairment loss on other receivables	**(430)**	–
Loss on disposal of property, plant and equipment	**1**	26
Bank interest income	**(240)**	(79)
Impairment loss of trade receivables	**–**	148
Impairment loss of other receivables	**–**	181
Government grants	**(1,906)**	(205)
Operating cash flows before changes in working capital	**20,364**	41,611
(Increase) decrease in inventories	**(5,793)**	6,011
Increase in trade and other receivables	**(14,373)**	(8,327)
Decrease in trade and other payables	**(768)**	(342)
Cash (used in) generated from operations	**(570)**	38,953
Income taxes paid	**(3,979)**	(5,311)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(4,549)**	33,642
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(25,701)**	(19,760)
Deposits for acquisition of property, plant and equipment	**(4,458)**	(3,375)
Proceeds from disposal of property, plant and equipment	**434**	19
(Advanced to) repayment from independent third parties (note 20)	**(811)**	1,110
Interest received	**240**	79
NET CASH USED IN INVESTING ACTIVITIES	**(30,296)**	(21,927)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES		
Bank and other borrowings raised	**65,656**	30,500
Repayment of bank and other borrowings	**(43,000)**	(39,500)
Interests paid	**(2,683)**	(2,061)
Proceeds from issue of shares by way of placing	**92,510**	–
Share issue expenses	**(9,518)**	–
(Repayment to) advanced from a shareholder	**(2,105)**	260
Repayment to independent third parties	**(876)**	(114)
Repayment to related parties	**(13,617)**	(280)
Government grants received	**1,989**	205
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**88,356**	(10,990)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**53,511**	725
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**25,344**	24,618
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**87**	1
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**78,942**	25,344

1. GENERAL

China Golden Classic Group Limited (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 Growth Enterprise Market ("GEM") 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 RMB. As the Group mainly operates in the PRC, the directors of the Company consider that it is appropriate to present the consolidated financial statements in Renminbi ("RMB").

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

2. BASIS OF PREPARATION

Pursuant to the group reorganisation ("Reorganisation"), the Company became the holding company of the companies comprising the Group on 25 August 2015 as detailed in the section headed "History, Reorganisation and Group Structure" of the prospectus of the Company dated 30 June 2016 (the "Prospectus"). The Company and its subsidiaries comprising the Group are under the control of Ms. Li Qiuyan ("Ms. Li") (the "Controlling Shareholder") throughout the year ended 31 December 2015 or since their respective dates of incorporation or establishment up to 31 December 2015. As there was a continuation of the risks and benefits to the Controlling Shareholder and, therefore, the Reorganisation is considered to be a restructuring of entities and business under common control and the Group as a continuing entity. Accordingly, the consolidated financial statements for the year ended 31 December 2015 have been prepared as if the Company had always been the holding company of the companies comprising the Group throughout the year ended 31 December 2015, using the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as set out in note 4 below.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows include the results and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the year ended 31 December 2015.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)") issued by HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Lossess[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 HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]

[1] Effective for annual periods beginning on or after 1 January 2017.

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

[3] Effective for annual periods beginning on or after 1 January 2019.

[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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective (Continued)

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 HKAS 39 Financial Instruments: Recognition and Measurement 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, 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

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

- 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 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 until the Group performs a detailed review.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective (Continued)

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 Contract*s and the related interpretations when it becomes effective.

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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective (Continued)

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. 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 be 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.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Combination of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control and until the date when the Group ceases to control the subsidiary.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Merger accounting for business combination involving entities under common control

The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Consultancy fee income is recognised when services are provided.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold buildings held for use in the production of goods or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress), less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land

The Group assesses the classification of leasehold land as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of leasehold land has been transferred to the Group.

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation are translated into the presentation currency of the Company (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sales, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary difference between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represented the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial lognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period or observable changes in national or local economic conditions that correlate with default on receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, bank and other borrowings and amounts due to a shareholder and related parties, are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating unites for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior period. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Cash and cash equivalents

Cash and short-term deposits in the consolidated statements of financial position comprise cash at banks and on hand. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Retirement benefits costs

Payments to the PRC local government defined contribution retirement scheme pursuant to the relevant labour rules and regulations in the PRC and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Ownership of the buildings

Despite the Group has paid the full purchase consideration as detailed in note 16, formal titles of certain of the Group's rights to the use of the buildings were not yet granted from the relevant government authorities. In the opinion of the directors of the Company, the absence of formal title to these buildings does not impair the value of the relevant assets and the ownership of the buildings to the Group.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. When events or changes in circumstances indicate that the carrying amount may not be recoverable, management will estimate the future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss. As at 31 December 2016, the carrying amounts of property, plant and equipment were approximately RMB139,292,000 (2015: RMB125,247,000). No impairment loss had been recognised during the year ended 31 December 2016 and 2015.

Estimated allowance for inventories

The management of the Group reviews an ageing analysis of inventories at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, the costs necessary to make the sale and current market conditions. As at 31 December 2016, the carrying amounts of inventories were approximately RMB28,609,000 (2015: RMB22,816,000), net of accumulated impairment loss of RMB3,300,000 (2015: RMB3,300,000).

Estimated impairment loss of trade and other receivables

When there is objective evidence of impairment loss of trade and other receivables, the Group takes into consideration the estimation of future cash flows of respective trade and other receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2016, the carrying amount of the Group's trade and other receivables are approximately RMB60,704,000 (2015: RMB45,090,000), net of accumulated impairment loss of RMB2,287,000 (2015: RMB3,001,000).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholder through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the reporting period.

The capital structure of the Group consists of amounts due to a shareholder and related parties, bank and other borrowings, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure of the Group periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues. The directors of the Company will also consider the raise of additional borrowings as additional capital.

The directors of the Company also endeavor to ensure the steady and reliable cash flows from the normal business operation.

7. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	2016	2015
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	**131,112**	64,095
Financial liabilities		
Financial liabilities measured at amortised cost	**112,442**	119,233

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amounts due to a shareholder and related parties and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, market risk (interest rate risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

As at 31 December 2016, the Group has concentration of credit risk as 11% (2015: 9%) and 45% of the total trade receivables (2015: 29%) was due from the Group's largest customer and the top five customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 99% (2015: 100%) of the total trade receivables as at 31 December 2016.

In order to minimise the credit risk, the management of the Group has 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. In addition, the Group reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate in relation to fixed-rate bank and other borrowings (see note 24).

As at 31 December 2016, the Group was exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 21 and 24 for details). It is the Group's policy to keep its bank deposits and balances at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the RMB base deposit/lending rate stipulated by the People's Bank of China arising from the Group's RMB denominated bank balances and bank borrowings.

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For variable-rate bank balances and borrowings, if the interest rates had been 200 basis points higher/lower and all other variables were held constant which was considered reasonably possible at the end of the respective reporting period, the Group's profit after tax for the years ended 31 December 2016 would decrease/increase by approximately RMB743,000 (2015: increase/decrease by RMB79,000).

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including cash, current working capital and the raising of funds. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term.

In the management of the liquidity risk, the Group obtains financing deemed adequate by the management to finance its operations.

As at 31 December 2016, the Group's remaining contractual maturities for their non-derivative financial liabilities, based on undiscounted cash flows of financial liabilities on the earliest date on which the Group can be required to pay. A bank borrowing with carrying amount of RMB2,256,000 has a repayment on demand clause is included in earliest time band regardless of the probability of the bank choosing to exercise its right.

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity risk tables

	Within one year or on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2016			
Trade and other payables	**59,635**	**59,635**	**59,635**
Bank and other borrowings	**55,249**	**55,249**	**52,807**
	114,884	**114,884**	**112,442**
As 31 December 2015			
Trade and other payables	74,227	74,227	74,227
Amount due to a shareholder	1,959	1,959	1,959
Amounts due to related companies	13,047	13,047	13,047
Bank and other borrowings	32,028	32,028	30,000
	121,261	121,261	119,233

(c) Fair values of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their short-term maturities.

8. 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.

4) Others segment reports manufacture and sales of other products.

Segment revenue and results

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

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Others RMB'000	Total RMB'000
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)**
Consolidated profit before tax					**13,652**
For the year ended 31 December 2015					
Segment revenue	138,915	56,953	85,526	1,707	283,101
Segment profit	71,701	21,137	35,050	863	128,751
Unallocated income					1,407
Unallocated expenses					(94,897)
Finance costs					(2,061)
Consolidated profit before tax					33,200

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of selling and distribution expenses, 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.

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	2016	2015
	RMB'000	RMB'000
SEGMENT ASSETS		
Jointly-shared by sales of oral care products, leather care products and household hygiene products	**252,487**	215,169
Unallocated	**79,875**	28,852
Total assets	**332,362**	244,021
SEGMENT LIABILITIES		
Jointly-shared by sales of oral care products, leather care products and household hygiene products	**74,606**	85,542
Unallocated	**54,061**	47,598
Total liabilities	**128,667**	133,140

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 and certain other receivables and prepayments as these assets are managed on a group basis; and

- all liabilities are allocated to operating segments other than amounts due to a shareholder and related parties, income tax payables, certain other payables and bank and other borrowings 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.

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 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			
Bank interest income	**–**	**(240)**	**(240)**
Loss on disposal of property, plant and equipment	**1**	**–**	**1**
Rental income from properties	**(698)**	**–**	**(698)**
Rental income from equipment	**(299)**	**–**	**(299)**
Write back of impairment loss on other receivables	**(430)**	**–**	**(430)**
Government grants	**–**	**(1,906)**	**(1,906)**
Finance costs	**–**	**2,683**	**2,683**

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

	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 2015			
Depreciation of property, plant and equipment	5,440	250	5,690
Amortisation of intangible assets	140	–	140
Amortisation of prepaid lease payments	449	–	449
Additions to non-current assets	30,459	3	30,462
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segments assets			
Impairment loss of trade receivables	148	–	148
Impairment loss of other receivables	181	–	181
Rental income from properties	(679)	–	(679)
Rental income from equipment	(299)	–	(299)
Loss on disposal of property, plant and equipment	26	–	26
Bank interest income	–	(79)	(79)
Government grants	–	(205)	(205)
Finance costs	–	2,061	2,061

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers			
Year ended 31 December 2016	**295,068**	**1,268**	**296,336**
Year ended 31 December 2015	281,345	1,756	283,101

Information about major customer

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

9. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Rental income from properties*	**698**	679
Rental income from equipment	**299**	299
Bank interest income	**240**	79
Government grants**	**1,906**	205
Consultancy fee	**422**	–
Write back of impairment loss on other receivables	**430**	–
Others	**885**	145
	4,880	1,407

* 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.

10. FINANCE COSTS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interest on bank and other borrowings	**2,683**	2,061

11. INCOME TAX EXPENSES

	2016	2015
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax	**2,329**	5,015
Deferred tax (note 26)	**721**	26
	3,050	5,041

(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 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.

11. INCOME TAX EXPENSES (CONTINUED)

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:

	2016 RMB'000	2015 RMB'000
Profit before tax	**13,652**	33,200
Tax at the domestic income tax rate of 25%	**3,415**	8,300
Income tax on concessionary rate	**(1,407)**	(3,262)
Tax effect of expenses not deductible for tax purpose	**1,180**	142
Additional deduction arising from research and development expenses	**(138)**	(139)
Income tax expenses for the year	**3,050**	5,041

Details of the deferred tax are set out in note 26.

12. PROFIT FOR THE YEAR

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

	2016 RMB'000	2015 RMB'000
Auditors' remuneration	**714**	38
Listing expenses	**6,893**	7,592
Depreciation of property, plant and equipment	**6,015**	5,690
Amortisation of intangible assets	**140**	140
Amortisation of prepaid lease payments	**449**	449
Cost of inventories recognised as expenses*	**143,553**	137,728
Exchange (gains)/losses, net	**(668)**	7
Research and development costs recognised as an expenses**	**10,063**	8,434
Loss on disposal of property, plant and equipment	**1**	26
Impairment loss of trade receivables	**–**	148
Impairment loss of other receivables	**–**	181
Operating lease rentals in respect of rented premises	**552**	2,156
Emoluments of directors and chief executive (note 15)	**705**	767
Other staff costs:		
Salaries and allowances	**20,290**	18,782
Contributions to retirement benefits scheme	**3,887**	2,796
Total staff costs	**24,882**	22,345

12. PROFIT FOR THE YEAR (CONTINUED)

* Cost of inventories recognised as expenses for the years ended 31 December 2016 included staff costs of RMB5,031,000 (2015: RMB5,015,000) 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 2016 included staff costs of RMB4,186,000 (2015: RMB3,916,000) which were also included in the total staff costs disclosure above.

13. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

14. 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

	2016	2015
	RMB'000	RMB'000
Earnings for the purpose of basic and diluted earnings per share	**10,602**	28,159

Number of shares

	2016	2015
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**870,902**	750,000

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") (note 27(a)(iii)).

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2015 has been retrospectively adjusted for the effects of the Reorganisation and the Capitalisation Issue which took place in 2016 in preparation for the Listing.

Since there are no potential dilutive shares in issue during the year ended 31 December 2016 and 2015, basic and diluted earnings per share are the same for both years.

15. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

The emoluments paid or payable to the directors of the Company, which include the chief executive of the Group, were as follows:

	Year ended 31 December 2016		
	Salaries, allowances and benefits in kind RMB'000	**Contribution to retirement benefits scheme RMB'000**	**Total RMB'000**
Executive directors:			
Ms. Li (note (c))	**354**	**–**	**354**
Mr. Tong Xing (note (c))	**97**	**32**	**129**
Ms. Du Yongwei (note (c))	**60**	**19**	**79**
Independent non-executive directors:			
Mr. Tang Wai Yau (notes (b) and (c))	**83**	**–**	**83**
Mr. Ye Jingzhong (notes (b) and (c))	**30**	**–**	**30**
Mr. Qian Zaiyang (notes (b) and (c))	**30**	**–**	**30**
Total emoluments	**654**	**51**	**705**

	Year ended 31 December 2015		
	Salaries, allowances and benefits in kind RMB'000	Contribution to retirement benefits scheme RMB'000	Total RMB'000
Executive directors:			
Ms. Li (notes (a) and (c))	467	7	474
Mr. Tong Xing (notes (a) and (c))	205	4	209
Ms. Du Yongwei (notes (a) and (c))	82	2	84
Total emoluments	754	13	767

15. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES (CONTINUED)

Ms. Li is the chief executive of the Group and her emoluments disclosed above include those for services rendered by her as chief executive.

Notes:

(a) Appointed on 29 July 2015.

(b) Appointed on 17 June 2016.

(c) The emoluments represent the salaries paid to the directors in respect of their services in connection with management of the affairs of the Group.

Of the five individuals with the highest emoluments in the Group, one was director (2015:one) (including the chief executive) of the Company for the year ended 31 December 2016, whose emoluments are included in the disclosures above. The emoluments of the remaining individuals for the years ended 31 December 2016 and 2015 were as follows:

	2016	2015
	RMB'000	RMB'000
Salaries and allowances and other benefits	**1,295**	1,490
Contributions to retirement benefits scheme	**71**	27
	1,366	1,517

Their emoluments fell within the band of nil to HK$1,000,000 (equivalent to nil to RMB893,000) (2015: nil to HK$1,000,000 (equivalent to nil to RMB802,000)) for the year.

No emoluments were paid by the Group to any of the directors (including the chief executive) or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year.

No directors (including the chief executive) or the five highest paid individuals waived or agreed to waive any emoluments in the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Motor Vehicles	Plant and machinery	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB000	RMB'000	RMB'000
COST							
At 1 January 2015	52,242	8,693	5,408	19,745	2,027	51,624	139,739
Additions	–	–	2,060	3,099	317	23,634	29,110
Disposals	–	–	(155)	(60)	(36)	–	(251)
At 31 December 2015 and 1 January 2016	**52,242**	**8,693**	**7,313**	**22,784**	**2,308**	**75,258**	**168,598**
Additions	**–**	**–**	**314**	**5,045**	**1,885**	**13,251**	**20,495**
Disposals	**–**	**–**	**(1,057)**	**(2,673)**	**–**	**–**	**(3,730)**
At 31 December 2016	**52,242**	**8,693**	**6,570**	**25,156**	**4,193**	**88,509**	**185,363**
ACCUMULATED DEPRECIATION							
At 1 January 2015	16,002	6,907	3,149	10,190	1,619	–	37,867
Charge for the year	2,280	884	814	1,544	168	–	5,690
Eliminated on disposals	–	–	(149)	(30)	(27)	–	(206)
At 31 December 2015 and 1 January 2016	**18,282**	**7,791**	**3,814**	**11,704**	**1,760**	**–**	**43,351**
Charge for the year	**2,302**	**746**	**1,080**	**1,505**	**382**	**–**	**6,015**
Eliminated on disposals	**–**	**–**	**(908)**	**(2,387)**	**–**	**–**	**(3,295)**
At 31 December 2016	**20,584**	**8,537**	**3,986**	**10,822**	**2,142**	**–**	**46,071**
CARRYING VALUES							
At 31 December 2016	**31,658**	**156**	**2,584**	**14,334**	**2,051**	**88,509**	**139,292**
At 31 December 2015	33,960	902	3,499	11,080	548	75,258	125,247

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation is recognised so as to written off the cost of the above items of property, plant and equipment less their residual values, if any, using the straight-line basis over their estimated useful lives at the following rates per annum:

Buildings	5% or over the lease term, whichever is shorter
Leasehold improvements	20% or over the lease term, whichever is shorter
Motor vehicles	20%
Plant and machinery	10%
Office equipment	20%

As at 31 December 2016, the Group's buildings with carrying amount amounting to approximately RMB17,090,000 (2015: RMB18,389,000) were pledged to secure banking facilities granted to the Group (note 24).

At 31 December 2016 and 2015, the Group has not obtained building ownership certificates for certain properties with a carrying amount of approximately RMB1,731,000 (2015: RMB1,743,000). In the opinion of the directors of the Company, the absence of formal titles to these properties does not impair their values to the Group as the Group has paid full consideration for acquiring the relevant properties and the probability of being evicted on the ground of an absence of formal title is remote.

17. PREPAID LEASE PAYMENTS

	RMB'000
COST	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	**25,225**
AMORTISATION	
At 1 January 2015	4,962
Amortisation for the year	449
At 31 December 2015	5,411
Amortisation for the year	449
At 31 December 2016	**5,860**
CARRYING VALUES	
At 31 December 2016	**19,365**
At 31 December 2015	19,814

As at 31 December 2016, the prepaid lease payments of the Group with carrying amount amounted to approximately RMB6,829,000 (2015: RMB6,874,000) were pledged to secure banking facilities granted to the Group (note 24).

17. PREPAID LEASE PAYMENTS (CONTINUED)

The carrying amount of prepaid lease payments of the Group analysed for reporting purposes as:

	2016	2015
	RMB'000	RMB'000
Current assets	**449**	449
Non-current assets	**18,916**	19,365
	19,365	19,814

The prepayments for land use rights in the PRC are amortised over 50 years on a straight-line basis.

18. INTANGIBLE ASSETS

	Trademarks
	RMB'000
COST	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	**1,016**
AMORTISATION	
At 1 January 2015 Amortisation	677
Amortisation for 2015	140
At 31 December 2015 and 1 January 2016	817
Amortisation for the year	140
At 31 December 2016	**957**
CARRYING VALUES	
At 31 December 2016	**59**
At 31 December 2015	199

The trademark acquired by the Group is amortised over 5 years.

As at 31 December 2016, the trademarks of the Group amounted to approximately RMB59,000 (2015: RMB199,000) were pledged to secure banking facilities granted to the Group (note 24).

19. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**18,070**	18,258
Work in progress	**383**	322
Finished goods	**10,156**	4,236
	28,609	22,816

20. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade and bills receivables	**50,905**	39,787
Less: allowance for impairment of trade receivables	**(1,937)**	(2,221)
	48,968	37,566
Deposits and other receivables	**1,205**	501
Advances to independent third parties*	**1,997**	1,186
Less: allowance for impairment of deposits and other receivables	**(72)**	(502)
	3,130	1,185
Prepayments	**8,884**	6,617
Less: allowance for impairment of prepayments	**(278)**	(278)
	8,606	6,339
	60,704	45,090

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

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

	2016	2015
	RMB'000	RMB'000
0-30 days	**45,415**	28,784
31-60 days	**1,667**	3,312
61-90 days	**175**	2,485
Over 3 months but less than 6 months	**1,469**	2,653
Over 6 months but less than 1 year	**242**	332
	48,968	37,566

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions would apply to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of these balances.

The following is an aged analysis of trade and bills receivables presented based on the due date at the end of the reporting period:

	2016	2015
	RMB'000	RMB'000
Not yet past due	**40,740**	31,488
0-30 days	**4,675**	1,696
31-60 days	**1,667**	701
61-90 days	**175**	1,050
Overdue 3 months to 6 months	**1,469**	2,298
Overdue 6 months to 1 year	**242**	333
	48,968	37,566

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and bills 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 and bills receivables balances were RMB8,228,000 (2015: RMB6,078,000) as at 31 December 2016 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.

Movement in the impairment on trade receivables:

	2016 **RMB'000**	2015 RMB'000
At 1 January	**2,221**	6,797
Impairment losses recognised	**–**	148
Written off as uncollectible	**(284)**	(4,724)
At 31 December	**1,937**	2,221

Included in the impairment on trade receivables are individually impaired trade receivables of RMB1,937,000 (2015: RMB2,221,000) as at 31 December 2016 since the directors of the Company considered the prolonged outstanding balances were uncollectible.

Movement in the impairment on other receivables:

	2016 **RMB'000**	2015 RMB'000
At 1 January	**502**	321
Written back	**(430)**	–
Impairment losses recognised	**–**	181
At 31 December	**72**	502

Included in the impairment on other receivables are individually impaired other receivables of RMB72,000 (2015: RMB502,000) as at 31 December 2016 since the directors of the Company considered the prolonged outstanding balances were uncollectible.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the impairment on prepayments:

	2016	2015
	RMB'000	RMB'000
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	**278**	278

Included in the impairment on prepayments are individually impaired prepayments of RMB278,000 (2015: RMB278,000) as at 31 December 2016 since the directors of the Company considered the prolonged outstanding balances cannot be utilised or recovered.

21. BANK BALANCES AND CASH

Cash at banks carried interest at floating rates based on market interest rate range from 0.01% to 0.385% for both 2016 and 2015.

22. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	RMB'000
Trade and bills payables	**32,872**	24,330
Receipts in advance	**15,668**	11,783
Accruals and other payables	**18,642**	31,837
Advances from independent third party*	**–**	876
Payables for property, plant and equipment	**8,121**	17,184
	75,303	86,010

* The amount was interest-free, unsecured and fully repaid during the year.

22. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2016	2015
	RMB'000	RMB'000
0-30 days	**23,808**	11,049
31-60 days	**4,837**	8,386
61-90 days	**1,781**	2,998
Over 3 months but less than 6 months	**1,330**	1,438
Over 6 months but less than 1 year	**861**	293
Over 1 year but less than 2 years	**163**	122
Over 2 year but less than 5 years	**92**	44
	32,872	24,330

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.

23. AMOUNTS DUE TO A SHAREHOLDER AND RELATED PARTIES

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

The amount due to a related party represented amount due to the spouse of Ms. Li, a director of the Company. During the year ended 31 December 2016, these amounts were fully settled.

24. BANK AND OTHER BORROWINGS

	2016 RMB'000	2015 RMB'000
Secured bank borrowings	**35,256**	30,000
Unsecured other borrowings	**17,551**	–
	52,807	30,000
Carrying amount repayable:		
Within one year	**50,551**	30,000
After one year but within two years	**2,256**	–
	52,807	30,000
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**(2,256)**	–
Less: Carrying amount repayable within one year	**(50,551)**	(30,000)
Amount shown under non-current liabilities	**–**	–

The Group's bank and other borrowings are interest-bearing as follows:

	2016 RMB'000	2015 RMB'000
Fixed-rate borrowings		
From independent third parties	**17,551**	–
Variable-rate bank borrowings	**35,256**	30,000
	52,807	30,000

24. BANK AND OTHER BORROWINGS (CONTINUED)

The ranges of effective interest rates per annum on the Group's borrowings at the end of the reporting period are as follow:

	2016	2015
Fixed-rate borrowings	**3%**	–
Variable-rate borrowings (Note)	**5.7% to 6.3%**	6.0% to 6.6%

Note:

Interest at variable market interest rates are based on the People's Bank of China ("PBOC") lending rate plus a specific margin per annum.

As at 31 December 2016, bank borrowings were secured by certain buildings, prepaid lease payments and trademarks in aggregate of RMB23,978,000 (2015: RMB25,462,000).

As at 31 December 2016, the Group's borrowing that are denominated in HKD amounted to RMB17,551,000 (2015: nil). The rest are dominated in RMB amounted to RMB35,256,000 (2015: RMB30,000,000).

25. DEFERRED REVENUE

During the year ended 31 December 2016, the Group received a government subsidy of RMB83,000 as a financial support to the cost of staff welfare and staff training. The amount will be credited to profit or loss when the expenses have been paid. No deferred income is credited to profit or loss during the year.

26. DEFERRED TAX

The following is the analysis of the Group's deferred tax assets for financial reporting purposes:

	Impairment of assets RMB'000	Unrealised profits RMB'000	Total RMB'000
At 1 January 2015	1,640	40	1,680
Credited (charged) to profit or loss	3	(29)	(26)
At 31 December 2015 and 1 January 2016	**1,643**	**11**	**1,654**
Charged to profit or loss	**(710)**	**(11)**	**(721)**
At 31 December 2016	**933**	**–**	**933**

At 31 December 2016, the aggregate amount of deductible impairment of assets amounted to RMB6,321,000 (2015: RMB10,833,000) and the aggregate amount of unrealised profits amounted to nil (2015: RMB73,000).

At 31 December 2016, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries amounted to RMB95,617,000 (2015: RMB79,695,000) and no deferred tax liability has been recognised in respect of these undistributed earnings because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

27. 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			
Incorporation of the Company on 29 July 2015	38,000	380	305
At 31 December 2015	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	2,000,000	20,000	16,984
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 January 2015 (i)	–	–	–
Issue of shares upon incorporation (ii)	10	–	–
Issue of shares pursuant to the Reorganisation (ii)	10	–	–
At 31 December 2015 and 1 January 2016	20	–	–
Issue of new shares by way of capitalisation (iii)	749,980	7,500	6,454
Issue of new shares by way of placing (iv)	250,000	2,500	2,152
At 31 December 2016	1,000,000	10,000	8,606

(i) The balances of share capital of the Group as presented on the consolidated statement of changes in equity as at 1 January 2015 represented aggregate share capital of SL Far East Investment Limited, Snow Leopard Technology (Holding Group) Limited and Golden Maxim Limited.

(ii) The Company was incorporated in the Cayman Islands on 29 July 2015. As at the date of its incorporation, the Company had authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. 10,000 ordinary shares were allotted and fully paid on the date of incorporation of the Company. On 25 August 2015, 10,000 ordinary shares of the Company were issued for the acquisition of the entire issued capital of SL Far East Investment Limited, Snow Leopard Technology (Holding Group) Limited and Golden Maxim Limited.

27. SHARE CAPITAL (CONTINUED)

(a) Share capital (continued)

(iii) 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.

(iv) 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.

(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.

28. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
Non-current asset		
Investments in subsidiaries	**100,742**	100,742
Current assets		
Amounts due from fellow subsidiaries (Note a)	**86,728**	–
Current liabilities		
Amounts due to subsidiaries	**334**	67
Other payable	**–**	44
	334	111
Net current assets	**86,394**	(111)
	187,136	100,631
Capital and reserves		
Share capital (note 27)	**8,606**	–
Reserves (Note b)	**178,530**	100,631
	187,136	100,631

Notes:

(a) The amount is unsecured, interest-free and repayable on demand.

28. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes: (Continued)

(b) Movements in the Company's reserves

	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
Incorporation of the Company on 29July 2015	–	–	–	–	–
Profit for the year	–	–	–	(99)	(99)
Total comprehensive (expense) income for the year	–	–	–	(99)	(99)
Arising from Reorganisation	–	100,730	–	–	100,730
At 31 December 2015 and 1 January 2016	**–**	**100,730**	**–**	**(99)**	**100,631**
Profit for the year	**–**	**–**	**–**	**(265)**	**(265)**
Other comprehensive expense for the year:					
Exchange difference arising on translation to reporting currency	**–**	**–**	**3,779**	**–**	**3,779**
Total comprehensive (expense) income for the year	**–**	**–**	**3,779**	**(265)**	**3,514**
Issue of new shares by way of placing	**90,358**	**–**	**–**	**–**	**90,358**
Transaction costs attributable to issue of new shares	**(9,518)**	**–**	**–**	**–**	**(9,518)**
Capitalisation issue of shares	**(6,454)**	**–**	**–**	**–**	**(6,454)**
At 31 December 2016	**74,386**	**100,730**	**3,779**	**(364)**	**178,531**

Note: Other reserve represents the difference between the nominal value of the shares issued for the acquisition of equity interests of its subsidiaries and the net assets value of its subsidiaries at the date of acquisition.

29. RETIREMENT BENEFIT SCHEMES

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan and the assets of the MPF Scheme are held separately from those of the Group in funds administrated by independent trustee. Under the MPF Scheme, the Group and its employees makes monthly contributions to the MPF Scheme at 5% of the employee's earnings capped at HK$1,500 per month to the MPF Scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of RMB3,938,000 (2015: RMB2,809,000) represent contributions payable to these schemes by the Group for the years ended 31 December 2016.

30. CAPITAL COMMITMENTS

As at 31 December 2016 and 2015, the Group has the following capital commitments in respect of acquisition of property, plant and equipment:

	2016 **RMB'000**	2015 RMB'000
Contracted but not provided for	**8,650**	22,420

31. LEASE COMMITMENT

The Group as lessee

At 31 December 2016 and 2015, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**306**	194
In the second to fifth years inclusive	**51**	48
	357	242

Operating lease payment represents rental payable by the Group for certain of its office properties. Lease is negotiated for an original term of 1 to 2 years and rental is fixed over the lease terms.

31. LEASE COMMITMENT (CONTINUED)

The Group as lessor

The Group had contracted with tenants under operating lease arrangement, with leases negotiated for terms ranging from 1 to 3 years. At 31 December 2016 and 2015, the Group had contracted with tenants for the following future minimum lease payments:

	2016 RMB'000	2015 RMB'000
Within one year	**613**	650
In the second to fifth years inclusive	**600**	1,213
	1,213	1,863

32. RELATED PARTY DISCLOSURES

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

(a) During the year ended 31 December 2016, the Group was granted the right to use certain trademarks registered by a company controlled by the spouse of Ms. Du Yongwei, a director of the Company, at nil consideration (2015:nil).

(b) During the year ended 31 December 2016, the Group rented an office premises from Ms. Li, a shareholder of the Company, with rental expenses of approximately nil (2015: RMB360,000).

(c) During the year ended 31 December 2016, the Group incurred advertising expenses payable to a company controlled by the spouse of Mr. Tong Xing, a director of the Company, of approximately RMB312,000 (2015: RMB614,000).

(d) During the year ended 31 December 2015, the Group made purchases from a company controlled by the son of Ms. Li, a director of the Company (the "Related Company") of approximately RMB500,000 (2016: nil). The Related Company ceased to be a related company in August 2015.

(e) During the year ended 31 December 2015, the Group sold goods to the Related Company of approximately RMB1,658,000 (2016: nil).

32. RELATED PARTY DISCLOSURES (CONTINUED)

(f) Compensation of key management personnel

	2016 RMB'000	2015 RMB'000
Salaries and other benefits in kind	**1,565**	1,019
Retirement benefits scheme contributions	**70**	25
	1,635	1,044

The remuneration of key management personnel is determined by the performance of individuals and market trends.

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The particulars of the subsidiaries of the Group as at the end of reporting period are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 2016	2015	Principal activities
Direct subsidiaries					
SL Far East Investments Limited	British Virgin Islands ("BVI")	Issued and fully paid share capital USD1,000	**100%**	100%	Investment holding
Snow Leopard Technology (Holding Group) Ltd	BVI	Issued and fully paid share capital USD1,000	**100%**	100%	Investment holding
Golden Maxim Limited	BVI	Issued and fully paid share capital USD1,000	**100%**	100%	Investment holding

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2016	2015	
Indirect subsidiaries					
FE Golden Classic Dentists International Limited	Hong Kong	Issued and fully paid share capital HK$1,000	**100%**	100%	Investment holding
江蘇雪豹日化有限公司 Jiangsu Snow Leopard Daily Chemical Co. Limited	PRC	Registered capital RMB15,680,000	**100%**	100%	Manufacture and trading of oral care, leather care and household hygiene products
上海雪豹日用化學有限公司 Shanghai Snow Leopard Daily Chemical Co. Limited	PRC	Registered capital RMB1,000,000	**100%**	100%	Trading of oral care, leather care and household hygiene products
Larento International (Development) Co., Limited	Hong Kong	Issued and fully paid share capital HK$1	**100%**	100%	Investment holding

None of the subsidiaries had issued any debt securities during both years or at the end of both years.

Three Years Financial Summary

A summary of the results, assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements in this report and the Prospectus, is as follows.

	2016	2015	2014
	RMB'000	RMB'000	RMB'000
Revenue	**296,336**	283,101	222,268
Gross profit	**143,858**	128,751	90,496
Profit before tax	**13,652**	33,200	20,255
Profit for the year	**10,602**	28,159	17,148
Assets and liabilities			
Total assets	**332,362**	244,021	218,306
Total liabilities	**128,667**	133,140	134,601
Capital and reserves			
Total equity	**203,695**	110,811	83,705