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 2017

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

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

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Corporate Information

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

Wong, Wan & Partners (in association with Seyfarth Shaw)

COMPLIANCE ADVISER

First Shanghai Capital Limited

PRINCIPAL BANK

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

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE IN THE PRC

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Xiake Town, Jiangyin City
Jiangsu Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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133 Wan Chai Road,
Wan Chai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
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Hong Kong

COMPANY WEBSITE

www.goldenclassicbio.com

STOCK CODE

8281

Chairman's Statement

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 annual report for the year ended 31 December 2017 (the "Year").

BUSINESS REVIEW

The year 2017 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"). The challenges facing the Group originated from economic issues external to the Group such as the decreasing domestic demand in the People's Republic of China (the "PRC" or "China") as China's economic growth has slowed down in 2017 and the competition in the domestic market has been fierce. The management team is committed to cope with these challenges by maintaining a diversified and innovative product portfolio to attract new customers. Revenue of the Group decreased by approximately 9.8% from approximately RMB296.3 million for the year ended 31 December 2016 to approximately RMB267.4 million for the Year. Gross profit of the Group decreased by approximately 15.1% from approximately RMB143.9 million for the year ended 31 December 2016 to approximately RMB122.1 million for the Year. The gross profit has decreased due to the lowering of the gross profit margin resulted from the temporary reduction of selling price of all products during the Year. The Group generated a profit of approximately RMB2.7 million for the Year which represents a decrease of approximately 74.5% as compared with the profit of approximately RMB10.6 million for the year ended 31 December 2016. The decrease is mainly attributable to the temporary reduction of selling price due to the sales promotion activities during the Year.

PROSPECTS

Although the economic outlook of China in the near future has improved, 2018 will be continued to be filled with challenges. It is expected that competition in fast consumable product market will continue to be fierce. Despite potential fluctuations in the global and Chinese economies and slowdown in economic growth in the near future, our management team will face all of these challenges head on as part of our Group's growth process. The Directors will continue 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 has completed the renovation of the new production facilities in its production base in Jiangyin, Jiangsu Province, the PRC and the new production facilities were put into use in February 2018. The expansion will add extra production lines for the Group's oral care product and lead to an increase of the Group's total production capacity. The Directors believe that the new production facilities will enhance the Group's production and product development capabilities, in particular to our oral care products, so that the Group's products' competitiveness can be further strengthened. In addition, the Group will continue to promote the "Fe" trademark and its oral care products and has planned to expand such trademark in other new products of the Group in the 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 and confidence in the Company.

Ms. Li Qiuyan
Chairman and Executive Director

Hong Kong, 27 March 2018

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

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

FINANCIAL REVIEW

Turnover

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

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

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

Cost of sales

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

Gross Profit and gross profit margin

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

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

Selling and distribution costs

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

Administrative expenses

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

Finance costs

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

Income tax expenses

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

Profit for the year

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

During the Year, the Group generally financed its operations with internally generated cash flow and credit facilities provided by its principal bankers in China. As at 31 December 2017, the Group had outstanding bank borrowings of approximately RMB41.7 million (31 December 2016: RMB35.3 million). These bank loans were secured by certain buildings, prepaid lease payments and trademarks owned by the Group. The Group has also fully repaid a short-term interest-bearing loan of approximately RMB17.5 million to an independent third party upon maturity in June 2017. As at 31 December 2017, the Group maintained bank balances and cash of approximately RMB60.0 million (31 December 2016: RMB78.9 million). The Group's net cash-to-equity ratio (total bank and other borrowings net of cash and cash equivalents over shareholders' equity) was 0.09 and 0.13 as at 31 December 2017 and 2016, respectively.

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

CAPITAL COMMITMENTS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

GEARING RATIO

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

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

CHARGE OVER ASSETS OF THE GROUP

As at 31 December 2017, the Group had prepaid lease payment, trademarks and charge over the Group's buildings of approximately RMB6.7 million (31 December 2016: approximately RMB6.8 million), nil (31 December 2016: approximately RMB0.1 million) and RMB15.9 million (31 December 2016: approximately RMB17.1 million), respectively. These prepaid lease payment, trademarks and charged buildings were secured to general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

* English names are translated for identification purpose only

SUBSEQUENT EVENT

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

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 December 2017 are set out in note 27 to the consolidated financial statements.

Pursuant to the applicable PRC laws and regulations, the Group contributes 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 2017.

Business plan as set out in the Prospectus	Progress up to 31 December 2017
Expand the production and warehouse capacity	
– Expand the annual production capability of the oral care products from 3,720 tons to 9,000 tons	The construction of the new production workshops of the oral care products was completed and has started operation in February 2018.
– Construct a new inventory warehouse	The Group is planning to create additional inventory warehouse area in the existing factory premises to save the construction time and costs.
– Settle outstanding payment for the construction in progress	The Group has settled the outstanding payments for the construction of the new production facilities and office building.
Strengthen the products research and development capabilities	
– Purchase various laboratory and test equipment	The Group has purchased the laboratory and test equipment and put them in use in the research and development centre in August 2016.
– Employ additional research and development personnel	The Group has employed 2 additional research and development personnel since mid-2016, increasing the Group's total research and development personnel to 12 as of 31 December 2017.
Strengthen the leading position of the brands by advertising and promotion	
– Place television commercials and advertise in newspapers and on the internet	The Group has spent RMB2.9 million on the television commercials and advertisements in newspapers and on the Internet during the Year.
Expand the sales network	
– Employ additional sales and marketing personnel	The Group has increased the hiring of additional temporary sales and marketing personnel through service agents since June 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

Foreign exchange risk

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

Credit risk

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

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

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

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

Liquidity risk

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

Interest rate risk

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

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

USE OF PROCEEDS FROM THE PLACING

The net proceeds from the listing (the "Listing") of the shares of the Company on GEM of the Stock Exchange on 8 July 2016 by way of issuing and placing 250,000,000 ordinary shares (the "Placing") were approximately HK$76.2 million, which was based on the final placing price of HK$0.43 per share after deducting the underwriting fees and other expenses related to the Placing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus. Up to 31 December 2017, the net proceeds from the Placing had been applied as follows:

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

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

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

OUTLOOK

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

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

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Li Qiuyan (李秋雁) ("Ms. Li"), aged 57, is the chairman and a controlling Shareholder (as defined 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 42, 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 47, 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, Ms. Du 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 67, 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 in the PRC 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 61, 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 Yancheng Teachers University in the PRC majoring in physics 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 43, 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 degree (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 44, 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 of commerce degree 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 20 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 the 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 Future FinTech Group Inc. (formerly known as SkyPeople Juice, Inc.) (NASDAQ code: FTFT) since December 2014 and an independent non-executive director of Winshine Science Company Limited (stock code: 209) since October 2017.

Mr. Xiang Dongliang (項東亮), aged 36, 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 (engineering) degree (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 of engineering degree (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 55, 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.

Directors' Report

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 32 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 48 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 4 to 11 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 (2016: 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 2018 (Friday) at conference room, No. 35 Yingbin Road, Xiake Town, Jiangyin City, Jiangsu Province, the PRC. For the purpose of determining entitlement to attend the forthcoming AGM, the register of members of the Company will be closed from 21 May 2018 (Monday) to 25 May 2018 (Friday), both day inclusive, during which period no transfer of Shares will be registered. The record date will be on 18 May 2018 (Friday). In order to qualify for attending the forthcoming AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 18 May 2018 (Friday).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements in this report.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2017 are set out in note 32 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 7 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last four financial years, as extracted from the published audited consolidated financial statements is set out on page 100. 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 2017 are set out in note 22 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 25 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 RMB726,000 has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 51 of this report.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

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 18% of the total sales for the Year, and sales to the largest customer included therein accounted for approximately 6% of the total sales for the Year. Purchase from the Group's five largest suppliers accounted for approximately 36% of the total purchase for the Year, and purchase from the Group's largest supplier included therein accounted for approximately 12% 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)*
Mr. Tong Xing *(Chief executive officer)*
Ms. Du Yongwei

Independent non-executive Directors:

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

By virtue of Article 108(a) of the articles of association of the Company, Ms. Li Qiuyan and Mr. Tong Xing will retire at the forthcoming AGM and, being eligible to offer themselves for re-election at the said meeting.

DIRECTORS' SERVICE CONTRACT

Each of the Directors has entered into a service contract or letter of appointment 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 12 to 15 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 note 14 respectively to the consolidated financial statements in this report.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN CONTRACTS

Save as disclosed in the section headed "Related Party Disclosures" in note 30 to the consolidated financial statements, 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. 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.

DISTRIBUTION RESERVES

As at 31 December 2017, 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 RMB198.6 million.

Details of movements in the reserves of the Company and the Group during the Year are set out in note 26 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.

CONNECTED TRANSACTIONS

During the Year, 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 30 to the consolidated financial statements. None of these related party transactions constitute a discloseable connected transaction as defined under the GEM Listing Rules.

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

As at 31 December 2017, the interest and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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)*	575,625,000 *(Note 2)*	57.56%
Mr. Tong Xing	Interest in a controlled corporation *(Note 3)*	106,875,000 *(Note 4)*	10.69%

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 of the Company held by ChongBo Mary for the purposes of the SFO. Ms. Li is a director of ChongBo Mary.

2. During the Year, Ms. Li procured ChongBo Mary to transfer 30,000,000 shares, 12,750,000 shares and 19,125,000 shares of the Company to Mr. Li Hongfei, Mr. Xu Zhiliang and Mr. Chen Xinyu, respectively, for nil consideration as reward for their significant contribution to the Group. For details of the share rewards, please refer to the announcement published by the Company dated 29 May 2017.

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

4. During the Year, Mr. Tong procured Tong Xing Holdings to transfer 2,250,000 shares and 3,375,000 shares of the Company to Mr. Xu Zhiliang and Mr. Chen Xinyu, respectively, for nil consideration as reward for their significant contribution to the Group. For details of the share rewards, please refer to the announcement published by the Company dated 29 May 2017.

Long position in the shares of associated corporation:

Name of Director	Name of associated corporation	Capacity/Nature	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 2017, so far as the Directors are aware, the following persons (not being Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO and/or who are directly or indirectly interested in 5% 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	575,625,000	57.56%
Tong Xing Holding	Beneficial owner	106,875,000	10.69%
Ms. Zhang Li	Interest of spouse *(Note 1)*	106,875,000	10.69%

Note:

1. 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 2017, the Directors are not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO, and/or who are directly or indirectly interested in 5% 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/or 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.

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 2017, the Group had 307 employees (2016: 330), 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 situation, 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 33 of this report.

CHARITABLE DONATIONS

During the Year, the Group did not make charitable and other donation (2016: RMB650,000).

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 2018

Corporate Governance Report

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 2017.

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

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

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.

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 or letter of appointment 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 during the Year 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 12 to 15 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. After reviewing the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, policies and practices on compliance with legal and regulatory requirements, compliance with the Code of Conduct and compliance manual, and the compliance with the Code and disclosure in this report, the Board is satisfied with the effectiveness of the Company's 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 or letter of appointment 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 for the Year are summarised as follows:

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
Executive Directors				
Ms. Li Qiu Yan	5/5	N/A	1/1	1/1
Mr. Tong Xing	5/5	N/A	N/A	N/A
Ms. Du Yongwei	5/5	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Ye Jingzhong	5/5	4/4	1/1	1/1
Mr. Qian Zaiyang	5/5	4/4	1/1	1/1
Mr. Tang Wai Yau	5/5	4/4	N/A	N/A

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.

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

The Audit Committee held five meetings during the Year. 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 policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. 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).

One Remuneration Committee meeting was held during the Year.

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).

One Nomination Committee meeting was held during the Year.

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 biography is 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 RMB675,000. Fees for non-audit services for the same period were RMB506,000, consisting of the review of the Group's financial results for the three months ended 31 March 2017, the six months ended 30 June 2017 and the nine months ended 30 September 2017.

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; and
- monitor and review the effectiveness of such measures.

The Company does not have an 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 report to the Audit Committee and the Board. In addition, there is regular dialogue between the Audit Committee and 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 purchase and payment cycle and production 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

One general meeting had been held during the Year and the Company's forthcoming annual general meeting will be held on 25 May 2018.

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 has been no significant changes in the constitutional documents of the Company during the Year.

Environmental, Social and Governance Report

SCOPE AND REPORTING PERIOD

This report highlights the Environmental, Social, and Governance (the "ESG") performance of the Group, 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 2017 to 31 December 2017, 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 and 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 key performance index ("KPI") of the Group for the Year is as follows:

Air emissions

The Company does not generate significant air emissions during the operation since it purchased electricity from local electricity company and steam from local thermal company. The air emission includes nitrogen oxide ("NOX"), sulphur oxide ("SOX") and particulate matters ("PM"), which are primarily arisen from the petrol and diesel consumption for transportation. During the Year, the air emissions are as follows:

Categories	Quantity	Unit	Intensity — Unit per employees
Nitrogen oxide emissions			
Emission from petrol and diesel consumption	460.80	kg	1.501
Sulphur oxide emissions			
Emission from petrol and diesel consumption	1.00	kg	0.003
Particulate matters emissions			
Emission from petrol and diesel consumption	45.35	kg	0.148

Greenhouse gas emissions

The consumption of the electricity and steam at the factory and offices premises and petrol are the largest sources of greenhouse gas ("GHG") emissions of the Group. During the Year, the GHG emissions are as follows:

Categories	Quantity	Unit	Intensity — Unit per employees
Carbon dioxide emissions			
Direct GHG emission from operation	505.79	tonnes	1.648
Direct GHG emission from petrol and diesel consumption	161.02	tonnes	0.524
Indirect GHG emission from electricity consumption	1,779.86	tonnes	5.798
Indirect GHG emission from steam consumption	687.50	tonnes	2.239
Indirect GHG emission from flight travels	27.38	tonnes	0.089
Less: Deduction of GHG emission from planting trees	(3.01)	tonnes	(0.010)
Total carbon dioxide emissions	3,158.54	tonnes	10.288
Methane			
Direct GHG emission from operation	1.52	kg	0.005
Direct GHG emission from petrol and diesel consumption	43.55	kg	0.142
Total methane emissions	45.07	kg	0.147
Nitrous oxide			
Direct GHG emission from operation	4.83	kg	0.016
Direct GHG emission from petrol and diesel consumption	13.52	kg	0.044
Total nitrous oxide emissions	18.35	kg	0.060

Apart from the launch of initiatives mentioned in "Use of Resources" set below, the Group has employed multiple ways to reduce the GHG emissions. In terms of transportation, telephone conference is held where possible to avoid any unnecessary business travel while direct flights are chosen to reduce GHG emissions caused by any inevitable business travel. We have also purchased new transportation vehicles with less GHG emissions to reduce the adverse environmental impact caused by our staff's local transportations. The Group will continue to adopt a series of measures to reduce GHG emissions.

Waste Management

The Group has small amount of hazardous waste, including the glass and other containers and packing bags of the chemicals. Non-hazardous waste from the Group's operation includes general waste, paper for office use and sales and marketing purposes.

Hazardous waste produced

During the Year, the consumption volume of the hazardous waste produced by the Group is shown as below:

Categories	Quantity	Unit	Intensity — Unit per employees
Containers of chemical	0.0283	tonnes	0.0001
Packing bags of chemical	0.5012	tonnes	0.0016

Non-hazardous waste produced

During the Year, the consumption volume of the non-hazardous waste produced by the Group is shown as below:

Categories	Quantity	Unit	Intensity — Unit per employees
Paper	2.18	tonnes	0.007
General wastes (unrecyclable)	120	tonnes	0.391

The Group has engaged entrusted professional hazardous waste management company to dispose the Group's hazardous waste to avoid any misplacement of hazardous waste to the environment. The general wastes are handled by local waste management company on daily basis. In addition, the carton containers made by paper were normally reused for temporary storage during the production process before disposed to landfills. It has successfully reduced the volume of the Group's non-hazardous waste.

USE OF RESOURCES

The resources used by the Group are principally attributed to electricity and water consumed at its production facilities and office, and the petrol and diesel consumed for transportation. The Group also uses paper and plastics as the packaging materials of the finished products. The carton containers made by paper were normally reused for temporary storage during the production process before disposed to landfills. Under our relevant environmental policies, the Group proactively seeks opportunities for increasing operating efficiency to reduce the use of resources, such as switching off unnecessary lights and electronic equipment and divide the office and factory area into different zones using independent lighting and air-conditioning switches. Meanwhile, a series of measures are taken to enhance the energy efficiency, such as adopting energy-efficient equipment and clean light fixtures as well as air conditioner regularly. The Group has also closely monitored the utilisation of resources and reported to senior management on this aspect of performance.

Energy consumption

During the Year, the consumption of the energy at the factory and offices premises and petrol and diesel used for transportation are as follows:

Categories	Quantity	Unit	Intensity — Unit per employees
Electricity	2,530,000	kWh	8,241.04
Steam	2,768	tonnes	9.02
Petrol and diesel	65,254	litre	212.55

Water consumption

During the Year, the consumption of water at the factory and offices premises is as follows:

Categories	Quantity	Unit	Intensity — Unit per employees
Water	129,288	tonnes	421.13

Water for the Group's production and office usage are purchased from local water company with reliable water supply. The Group did not have any issue in sourcing water during the Year. We have been encouraging our employees to use resources properly in order to save water resource.

Packaging materials used

During the Year, the packaging materials used at the factory premises are as follows:

Categories	Quantity	Unit	Intensity — Unit per employees
Paper carton container	1,416	tonnes	4.61
Plastic	1,105	tonnes	3.60
Total packaging materials used	2,521	tonnes	8.21

THE ENVIRONMENT AND NATURAL RESOURCES

Due to the nature of the Group's 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 a system to ensure environmental compliance. It seeks to optimise the production by adopting low energy consumption and pollution control techniques, implementing environmental-friendly waste disposal methods and enhancing the environmental awareness of our employees through regular trainings. 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 incidents 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 its 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 307 employees as of 31 December 2017 (2016: 330), in which all of them are working as full time staff.

The Employee's age and gender distribution as of 31 December 2017 are as follows:

	18–25	26–35	36–45	46–55	Above 56	Male	Female	Percentage
Age	5%	32%	36%	22%	5%			100%
Gender						36%	64%	100%

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%

Employees are regarded as the most valuable assets and core competitive advantage of the Group and also provide the 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 has 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 employees. These arrangements has enhanced the communication among employees 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 an applicant's identity 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, healthy and comfortable working environment with labor protection, reasonable remuneration and various welfares. The Group enters employment contract with each of its employee in accordance with the 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 has safety and set up a dedicated quality control department which comprises 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 has 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 by consumers.

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 provides 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 case of conflict of interest, it must be reported to the Group's management. Employees who engage in business operations and represent the Company are strictly prohibited to use business opportunities or power inherent from their position 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 maintains 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 it 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 significant profit after tax and have sufficient cash flow. During the Year, the Group did not donate to any charity associations.

* English names are translated for identification purpose only

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

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 (hereinafter collectively referred to as the "Group") set out on pages 48 to 99, which comprise the consolidated statement of financial position as at 31 December 2017, and the 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 2017, 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 (the "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 18 to the consolidated financial statements and the accounting policies on page 65.

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 RMB42,635,000, representing 26% of the Group's current assets as at 31 December 2017. 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 19 to the consolidated financial statements and the accounting policies on pages 65 to 67.

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 RMB35,091,000, representing 21% of the Group's current assets as at 31 December 2017. 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 THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance are 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 with 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	7	**267,444**	296,336
Cost of sales		**(145,322)**	(152,478)
Gross profit		**122,122**	143,858
Other income	8	**4,609**	4,880
Selling and distribution costs		**(78,739)**	(87,820)
Administrative expenses		**(39,336)**	(44,583)
Finance costs	9	**(2,552)**	(2,683)
Profit before tax		**6,104**	13,652
Income tax expenses	10	**(3,351)**	(3,050)
Profit for the year	11	**2,753**	10,602
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**726**	(780)
Total comprehensive income for the year		**3,479**	9,822
Earnings per share			
– Basic and diluted (RMB cents)	13	**0.28**	1.22

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	*15*	**158,494**	139,292
Prepaid lease payments	*16*	**18,466**	18,916
Intangible assets	*17*	**–**	59
Deposits paid for acquisition of property, plant and equipment		**2,154**	4,458
Deferred tax assets	*24*	**786**	933
		179,900	163,658
Current assets			
Inventories	*18*	**42,635**	28,609
Trade and other receivables	*19*	**62,514**	60,704
Prepaid lease payments	*16*	**449**	449
Bank balances and cash	*20*	**59,964**	78,942
Tax recoverable		**21**	–
		165,583	168,704
Current liabilities			
Trade and other payables	*21*	**96,152**	75,303
Income tax payables		**–**	474
Bank and other borrowings	*22*	**41,707**	52,807
Deferred revenue	*23*	**–**	83
		137,859	128,667
Net current assets		**27,724**	40,037
Non-current liabilities			
Deferred tax liabilities	*24*	**450**	—
Net assets		**207,174**	203,695
Capital and reserves			
Share capital	*25*	**8,606**	8,606
Reserves		**198,568**	195,089
		207,174	203,695

The consolidated financial statements on pages 48 to 99 were approved and authorised for issue by the board of directors on 27 March 2018 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 2017

	Share capital RMB'000 *Note 25(a) (i),(ii)*	Share premium RMB'000 *Note 25(a) (i),(ii)*	Capital reserve RMB'000 *Note 25(b) (ii)*	PRC statutory reserve RMB'000 *Note25(b) (i)*	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2016	–	–	15	38,173	2,983	69,710	110,881
Profit for the year	–	–	–	–	–	10,602	10,602
Other comprehensive expense for the year:							
Exchange difference arising on translation of foreign operations	–	–	–	–	(780)	–	(780)
Total comprehensive (expense) income for the year	–	–	–	–	(780)	10,602	9,822
Issue of new shares by way of placing	2,152	90,358	–	–	–	–	92,510
Transaction costs attributable to issue of new shares	–	(9,518)	–	–	–	–	(9,518)
Capitalisation issue of shares	6,454	(6,454)	–	–	–	–	–
Transfer to statutory reserve	–	–	–	4,668	–	(4,668)	–
At 31 December 2016	8,606	74,386	15	42,841	2,203	75,644	203,695

	Share capital RMB'000 *Note 25*	Share premium RMB'000 *Note 25*	Capital reserve RMB'000 *Note 25(b) (ii)*	PRC statutory reserve RMB'000 *Note 25(b) (i)*	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017	**8,606**	**74,386**	**15**	**42,841**	**2,203**	**75,644**	**203,695**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**2,753**	**2,753**
Other comprehensive income for the year:							
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**726**	**–**	**726**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**726**	**2,753**	**3,479**
Transfer to statutory reserve	**–**	**–**	**–**	**57**	**–**	**(57)**	**–**
At 31 December 2017	**8,606**	**74,386**	**15**	**42,898**	**2,929**	**78,340**	**207,174**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**6,104**	13,652
Adjustments for:		
Depreciation for property, plant and equipment	**7,618**	6,015
Amortisation of intangible assets	**59**	140
Amortisation of prepaid lease payments	**450**	449
Finance costs	**2,552**	2,683
(Gain) loss on disposal of property, plant and equipment	**(42)**	1
Bank interest income	**(206)**	(240)
Impairment loss reversal in respect of trade receivables	**(883)**	–
Impairment loss reversal in respect of other receivables	**(72)**	(430)
Impairment loss reversal in respect of prepayment	**(18)**	–
Government grants	**(2,164)**	(1,906)
Operating cash flows before changes in working capital	**13,398**	20,364
Increase in inventories	**(14,026)**	(5,793)
Decrease (increase) in trade and other receivables	**535**	(14,373)
Increase (decrease) in trade and other payables	**25,873**	(768)
Cash generated from (used in) operations	**25,780**	(570)
Income taxes paid	**(3,249)**	(3,979)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**22,531**	(4,549)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(29,609)**	(25,701)
Deposits for acquisition of property, plant and equipment	**–**	(4,458)
Proceeds from disposal of property, plant and equipment	**111**	434
Advanced to independent third parties *(note 19)*	**(1,372)**	(811)
Interest received	**206**	240
NET CASH USED IN INVESTING ACTIVITIES	**(30,664)**	(30,296)

	2017	2016
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Bank and other borrowings raised	**39,451**	65,656
Government grants received	**2,081**	1,989
Repayment of bank and other borrowings	**(49,253)**	(43,000)
Interests paid	**(2,552)**	(2,683)
Proceeds from issue of shares by way of placing	**–**	92,510
Share issue expenses	**–**	(9,518)
Repayment to a shareholder	**–**	(2,105)
Repayment to independent third parties	**–**	(876)
Repayment to a related party	**–**	(13,617)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(10,273)**	88,356
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(18,406)**	53,511
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**78,942**	25,344
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(572)**	87
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**59,964**	78,942

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL

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

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

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

The functional currency of the Company is HK$. The functional currency of the Group's principal subsidiaries is Renminbi ("RMB"). As the Group mainly operates in the People's Republic of China (the "PRC"), the directors of the Company consider that it is appropriate to present the consolidated financial statements in RMB.

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

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

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

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

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

New and revised HKFRSs issued but not yet effective

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

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

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

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

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

4 Effective date not yet been determined.

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

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

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

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

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

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

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

HKFRS 9 (2014) Financial Instruments (Continued)

(b) Impairment

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

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

HKFRS 15 Revenue from Contracts with Customers

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

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

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

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

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

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

HKFRS 16 Leases

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

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

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

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

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

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

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

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

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

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

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB73,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's result but lease commitments may be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

Consolidation 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

3. 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.

Research and development expenditure

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

When inventories are sold, the carrying amount of those inventories is recognised as cost of good sold in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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.

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's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

3. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 are subsequently measured at amortised cost, using the effective interest method.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 units for which a reasonable and consistent allocation basis can be identified.

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.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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 15, 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.

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 2017, the carrying amounts of property, plant and equipment were approximately RMB158,494,000 (2016: RMB139,292,000). No impairment loss had been recognised during the year ended 31 December 2017 and 2016.

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 2017, the carrying amounts of inventories were approximately RMB42,635,000 (2016: RMB28,609,000), net of accumulated impairment loss of RMB3,300,000 (2016: RMB3,300,000).

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

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 2017, the carrying amount of the Group's trade and other receivables are approximately RMB62,514,000 (2016: RMB60,704,000), net of accumulated impairment loss of RMB1,314,000 (2016: RMB2,287,000).

5. 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 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.

6. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	2017	2016
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	**100,290**	131,112
Financial liabilities		
Financial liabilities measured at amortised cost	**116,922**	112,442

6. FINANCIAL RISK MANAGEMENT (Continued)

(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 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.

Credit risk

As at 31 December 2017, 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 2017, the Group has concentration of credit risk as 16% (2016: 11%) and 56% of the total trade receivables (2016: 45%) 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% (2016: 99%) of the total trade receivables as at 31 December 2017.

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 risk in relation to fixed-rate other borrowings (see note 22).

As at 31 December 2017, the Group was exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 20 and 23 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's 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (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 2017 would increase/decrease by approximately RMB310,000 (2016: increase/decrease by RMB743,000).

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 2017, 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 RMB14,207,000 (2016: 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.

Bank loans with a repayment on demand clause are included in the "on demand or within one year" time band in the below maturity analysis. As at 31 December 2017, the aggregate carrying amounts of bank loans amounted to RMB41,707,000 (2016: RMB52,807,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB44,209,000 (2016: RMB55,249,000).

6. FINANCIAL RISK MANAGEMENT (Continued)

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

Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Liquidity risk tables

	Within one year or on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2017			
Trade and other payables	**75,215**	**75,215**	**75,215**
Bank and other borrowings	**44,209**	**44,209**	**41,707**
	119,424	**119,424**	**116,922**
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

(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.

7. 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.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

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

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

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

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

7. 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.

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

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

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

7. 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 2017			
Depreciation of property, plant and equipment	7,618	–	7,618
Amortisation of intangible assets	59	–	59
Amortisation of prepaid lease payments	450	–	450
Additions to non-current assets	24,585	–	24,585
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segments assets			
Bank interest income	–	(206)	(206)
Gain on disposal of property, plant and equipment	(42)	–	(42)
Rental income from properties	(899)	–	(899)
Rental income from equipment	(299)	–	(299)
Impairment loss reversal in respect of trade receivables	(883)	–	(883)
Impairment loss reversal in respect of other receivables	(72)	–	(72)
Impairment loss reversal in respect of prepayment	(18)	–	(18)
Government grants	–	(2,164)	(2,164)
Finance costs	–	2,552	2,552

7. 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 2016			
Depreciation of property, plant and equipment	5,943	72	6,015
Amortisation of intangible assets	140	–	140
Amortisation of prepaid lease payments	449	–	449
Additions to non-current assets	21,096	–	21,096
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segments assets			
Impairment loss reversal in respect of other receivables	(430)	–	(430)
Rental income from properties	(698)	–	(698)
Rental income from equipment	(299)	–	(299)
Loss on disposal of property, plant and equipment	1	–	1
Bank interest income	–	(240)	(240)
Government grants	–	(1,906)	(1,906)
Finance costs	–	2,683	2,683

Geographical information

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

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

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

Information about major customer

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

8. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Rental income from properties*	**899**	698
Rental income from equipment	**299**	299
Bank interest income	**206**	240
Government grants**	**2,164**	1,906
Gain on disposal of property, plant and equipment	**42**	–
Consultancy fee	**–**	422
Exchange gains	**–**	668
Impairment loss reversal in respect of trade receivables	**883**	–
Impairment loss reversal in respect of other receivables	**72**	430
Impairment loss reversal in respect of prepayment	**18**	–
Others	**26**	217
	4,609	4,880

* 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.

9. FINANCE COSTS

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Interest on bank and other borrowings	**2,552**	2,683

10. INCOME TAX EXPENSES

	2017 RMB'000	2016 RMB'000
Current tax		
PRC Enterprise Income Tax	**1,454**	2,329
Withholding tax on dividend	**1,300**	–
	2,754	2,329
Deferred tax *(note 24)*	**597**	721
	3,351	3,050

10. INCOME TAX EXPENSES (Continued)

(a) Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

(b) No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during the reporting period.

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

(d) One of the Group's subsidiaries registered in the PRC is recognised as a High and New-technology Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 15% during the reporting period.

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

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

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

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

Details of the deferred tax are set out in note 24.

11. PROFIT FOR THE YEAR

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

	2017	2016
	RMB'000	RMB'000
Auditor's remuneration	**675**	714
Listing expenses	**–**	6,893
Depreciation of property, plant and equipment	**7,618**	6,015
Amortisation of intangible assets	**59**	140
Amortisation of prepaid lease payments	**450**	449
Cost of inventories recognised as expenses*	**132,616**	143,553
Exchange losses (gain), net	**190**	(688)
Research and development costs recognised as an expenses**	**9,093**	10,063
(Gain) loss on disposal of property, plant and equipment	**(42)**	1
Operating lease rentals in respect of rented premises	**719**	552
Emoluments of directors and chief executive *(note 14)*	**1,093**	705
Other staff costs:		
Salaries and allowances	**25,268**	20,290
Contributions to retirement benefits scheme	**4,201**	3,887
Total staff costs	**30,562**	24,882

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

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

12. DIVIDEND

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

13. EARNINGS PER SHARE

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

Earnings

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

Number of shares

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

The weighted average number of ordinary shares for the purpose of basic earnings per share of the year ended 31 December 2016 has been adjusted for the effects of the capitalisation issue ("Capitalisation Issue") (note 25(a)(i)) and also includes weighted average number of shares issued in placing (note 25(a)(i)).

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

14. 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 2017			
	Fees RMB'000	**Salaries, allowances and benefits in kind RMB'000**	**Contribution to retirement benefits scheme RMB'000**	**Total RMB'000**
Executive directors:				
Ms. Li Qiuyan *(note (b))*	**–**	**353**	**–**	**353**
Mr. Tong Xing *(note (b))*	**–**	**305**	**57**	**362**
Ms. Du Yongwei *(note (b))*	**–**	**87**	**19**	**106**
Independent non-executive directors:				
Mr. Tang Wai Yau *(note (a) and note (c))*	**152**	**–**	**–**	**152**
Mr. Ye Jingzhong *(note (a) and note (c))*	**60**	**–**	**–**	**60**
Mr. Qian Zaiyang *(note (a) and note (c))*	**60**	**–**	**–**	**60**
Total emoluments	**272**	**745**	**76**	**1,093**

14. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES (Continued)

	Year ended 31 December 2016			
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contribution to retirement benefits scheme RMB'000	Total RMB'000
Executive directors:				
Ms. Li Qiuyan *(note (b))*	–	354	–	354
Mr. Tong Xing *(note (b))*	–	97	32	129
Ms. Du Yongwei *(note (b))*	–	60	19	79
Independent non-executive directors:				
Mr. Tang Wai Yau *(note (a) and note (c))*	83	–	–	83
Mr. Ye Jingzhong *(note (a) and note (c))*	30	–	–	30
Mr. Qian Zaiyang *(note (a) and note (c))*	30	–	–	30
Total emoluments	143	511	51	705

Mr. Tong Xing is the chief executive of the Group and his emoluments disclosed above include those for services rendered by him as chief executive.

Notes:

(a) Appointed on 17 June 2016.

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

(c) The emoluments represent the payments in respect a person's services as a director.

Of the five individuals with the highest emoluments in the Group, two were directors (2016: one) (including the chief executive) of the Company for the year ended 31 December 2017, whose emoluments are included in the disclosures above. The emoluments of the remaining individuals for the years ended 31 December 2017 and 2016 were as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries and allowances and other benefits	**2,694**	1,295
Contributions to retirement benefits scheme	**68**	71
	2,762	1,366

Their emoluments fell within the band of nil to HK$1,000,000 (equivalent to nil to RMB844,000) (2016: nil to HK$1,000,000 (equivalent to nil to RMB893,000)) 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.

15. 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 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 and 1 January 2017	**52,242**	**8,693**	**6,570**	**25,156**	**4,193**	**88,509**	**185,363**
Additions	**–**	**751**	**879**	**2,897**	**837**	**21,525**	**26,889**
Reclassification upon completion	**66,241**	**8,031**	**–**	**11,595**	**2,670**	**(88,537)**	**–**
Disposals	**–**	**–**	**(397)**	**–**	**–**	**–**	**(397)**
At 31 December 2017	**118,483**	**17,475**	**7,052**	**39,648**	**7,700**	**21,497**	**211,855**
ACCUMULATED DEPRECIATION							
At 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 and 1 January 2017	**20,584**	**8,537**	**3,986**	**10,822**	**2,142**	**–**	**46,071**
Charge for the year	**2,896**	**1,376**	**769**	**1,819**	**758**	**–**	**7,618**
Eliminated on disposals	**–**	**–**	**(328)**	**–**	**–**	**–**	**(328)**
At 31 December 2017	**23,480**	**9,913**	**4,427**	**12,641**	**2,900**	**–**	**53,361**
CARRYING VALUES							
At 31 December 2017	**95,003**	**7,562**	**2,625**	**27,007**	**4,800**	**21,497**	**158,494**
At 31 December 2016	31,658	156	2,584	14,334	2,051	88,509	139,292

Depreciation is recognised so as to write 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 2017, the Group's buildings with carrying amount amounting to approximately RMB15,884,000 (2016: RMB17,090,000) were pledged to secure banking facilities granted to the Group (note 22).

At 31 December 2017 and 2016, the Group has not obtained building ownership certificates for certain properties with a carrying amount of approximately RMB1,719,000 (2016: RMB1,731,000). 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.

16. PREPAID LEASE PAYMENTS

	RMB'000
COST	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	25,225
AMORTISATION	
At 1 January 2016	5,411
Amortisation for the year	449
At 31 December 2016 and 1 January 2017	5,860
Amortisation for the year	450
At 31 December 2017	6,310
CARRYING VALUES	
At 31 December 2017	18,915
At 31 December 2016	19,365

As at 31 December 2017, the prepaid lease payments of the Group with carrying amount amounted to approximately RMB6,650,000 (2016: RMB6,829,000) were pledged to secure banking facilities granted to the Group (note 22).

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

	2017 **RMB'000**	2016 RMB'000
Current assets	**449**	449
Non-current assets	**18,466**	18,916
	18,915	19,365

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

17. INTANGIBLE ASSETS

	Trademarks
	RMB'000
COST	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	1,016
AMORTISATION	
At 1 January 2016	817
Amortisation for the year	140
At 31 December 2016 and 1 January 2017	957
Amortisation for the year	59
At 31 December 2017	1,016
CARRYING VALUES	
At 31 December 2017	–
At 31 December 2016	59

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

As at 31 December 2017, the trademarks of the Group amounted to approximately nil (2016: RMB59,000) were pledged to secure banking facilities granted to the Group (note 22).

18. INVENTORIES

	2017	2016
	RMB'000	RMB'000
Raw materials	**21,238**	18,070
Work in progress	**129**	383
Finished goods	**21,268**	10,156
	42,635	28,609

19. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

19. TRADE AND OTHER RECEIVABLES (Continued)

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:

	2017 RMB'000	2016 RMB'000
Not yet past due	**22,389**	40,740
0–30 days	**1,975**	4,675
31–60 days	**3,917**	1,667
61–90 days	**847**	175
Overdue 3 months to 6 months	**838**	1,469
Overdue 6 months to 1 year	**5,125**	242
	35,091	48,968

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 RMB12,702,000 (2016: RMB8,228,000) as at 31 December 2017 which were past due at the end of the reporting period for which the Group has not provided for impairment loss. Receivables that were past due but not impaired related to a number of independent customers with no recent history of default.

Movement in the impairment on trade receivables:

	2017 RMB'000	2016 RMB'000
At 1 January	**1,937**	2,221
Written off	**–**	(284)
Reversal due to recovery	**(883)**	–
At 31 December	**1,054**	1,937

Included in the impairment on trade receivables are individually impaired trade receivables of RMB1,054,000 (2016: RMB1,937,000) as at 31 December 2017 since the directors of the Company considered the prolonged outstanding balances were uncollectible.

19. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the impairment on other receivables:

	2017	2016
	RMB'000	RMB'000
At 1 January	**72**	502
Reversal due to recovery	**(72)**	(430)
At 31 December	**–**	72

Included in the impairment on other receivables are individually impaired other receivables of nil (2016: RMB72,000) as at 31 December 2017 since the directors of the Company considered the prolonged outstanding balances were uncollectible.

Movement in the impairment on prepayments:

	2017	2016
	RMB'000	RMB'000
At 1 January	**278**	278
Reversal due to recovery	**(18)**	–
At 31 December	**260**	278

Included in the impairment on prepayments are individually impaired prepayments of RMB260,000 (2016: RMB278,000) as at 31 December 2017 since the directors of the Company considered the prolonged outstanding balances cannot be utilised or recovered.

20. 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 2017 and 2016.

21. TRADE AND OTHER PAYABLES

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

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

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

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

22. BANK AND OTHER BORROWINGS

	2017 RMB'000	2016 RMB'000
Secured bank borrowings	**41,707**	35,256
Unsecured other borrowings	**–**	17,551
	41,707	52,807
Carrying amount repayable:		
Within one year	**27,500**	50,551
After one year but within two years	**14,207**	2,256
	41,707	52,807
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)	**(14,207)**	(2,256)
Less: Carrying amount repayable within one year	**(27,500)**	(50,551)
Amount shown under non-current liabilities	**–**	–

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

	2017 RMB'000	2016 RMB'000
Fixed-rate borrowings		
From independent third parties	**–**	17,551
Variable-rate bank borrowings	**41,707**	35,256
	41,707	52,807

22. 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:

	2017	2016
Fixed-rate borrowings	**N/A**	3%
Variable-rate borrowings *(Note)*	**5.7% to 6.3%**	5.7% to 6.3%

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 2017, bank borrowings were secured by certain buildings, prepaid lease payments and trademarks in aggregate of RMB22,534,000 (2016: RMB23,978,000).

As at 31 December 2017, all of the Group's borrowing that are dominated in RMB. As at 31 December 2016, included in the Group's borrowings were RMB17,551,000 denominated in HKD. The remaining balance were denominated in RMB.

23. 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 expenses have been paid and the amount is credited to profit or loss during the year ended 31 December 2017.

24. DEFERRED TAXATION

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

	2017 **RMB'000**	2016 RMB'000
Deferred tax assets	**786**	933
Deferred tax liabilities	**(450)**	–
	336	933

24. DEFERRED TAXATION (Continued)

	Impairment of assets RMB'000	Unrealised profits RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2016	1,643	11	–	1,654
Charged to profit or loss	(710)	(11)	–	(721)
At 31 December 2016 and 1 January 2017	933	–	–	933
Charged to profit or loss	(147)	–	(450)	(597)
At 31 December 2017	786	–	(450)	336

At 31 December 2017, the aggregate amount of deductible impairment of assets amounted to RMB5,219,000 (2016: RMB6,192,000) and the aggregate amount of unrealised profits amounted to nil (2016: RMB73,000).

At 31 December 2017, no deferred tax has been recognized in respect of temporary differences associated with undistributed earnings of subsidiaries amounted to RMB82,593,000 (2016: RMB95,617,000) because the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

25. SHARE CAPITAL AND RESERVES

(a) Share capital

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

25. SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (Continued)

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

(ii) On 8 July, 2016, 250,000,000 ordinary shares of the Company of HK$0.01 each were issued by way of placing to public investors at a placing price of HK$0.43 per share, resulting in an increase in share capital of HK$2,500,000 (equivalent to approximately to RMB2,152,000 and an interest in a share premium of HK$105,000,000 (equivalent to approximately RMB90,358,000).

(b) Reserves

(i) PRC statutory reserves

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

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

(ii) Capital reserve

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

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

	2017 RMB'000	2016 RMB'000
Non-current asset		
Investments in subsidiaries	**100,742**	100,742
Current assets		
Amounts due from subsidiaries *(Note a)*	**80,169**	86,728
Current liabilities		
Amounts due to subsidiaries *(Note a)*	**322**	334
Other payable	**48**	–
	370	334
Net current assets	**79,799**	86,394
	180,541	187,136
Capital and reserves		
Share capital *(note 25)*	**8,606**	8,606
Reserves *(Note b)*	**171,935**	178,530
	180,541	187,136

Notes:

(a) The amounts are unsecured, interest-free and repayable on demand.

26. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(b) Movements in the Company's reserves

	Share premium	Other reserve	Translation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	–	100,730	–	(99)	100,631
Loss for the year	–	–	–	(265)	(265)
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 and 1 January 2017	74,386	100,730	3,779	(364)	178,531
Loss for the year	–	–	–	(283)	(283)
Exchange difference arising on translation to reporting currency	–	–	(6,313)	–	(6,313)
Total comprehensive expense for the year	–	–	(6,313)	(283)	(6,596)
At 31 December 2017	74,386	100,730	(2,534)	(647)	171,935

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.

27. 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 RMB4,277,000 (2016: RMB3,938,000) represent contributions payable to these schemes by the Group for the years ended 31 December 2017.

28. CAPITAL COMMITMENTS

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

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

29. LEASE COMMITMENT

The Group as lessee

At 31 December 2017 and 2016, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**73**	306
In the second to fifth years inclusive	**–**	51
	73	357

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.

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 2017 and 2016, the Group had contracted with tenants for the following future minimum lease payments:

	2017	2016
	RMB'000	RMB'000
Within one year	**1,217**	613
In the second to fifth years inclusive	**2,343**	600
	3,560	1,213

30. 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 2017, the Group was granted the right to use certain trademarks registered by a company controlled by the spouse of Ms. Du Yongwei, a director of the Company, at nil consideration (2016:nil).

(b) During the year ended 31 December 2017, the Group rented an office premises from Ms. Li, a shareholder of the Company, with rental expenses of approximately nil (2016: nil).

30. RELATED PARTY DISCLOSURES (Continued)

(c) During the year ended 31 December 2017, the Group incurred advertising expenses payable to a company controlled by the spouse of Mr. Tong Xing, a director of the Company, of approximately RMB323,000 (2016: RMB312,000).

(d) Compensation of key management personnel

	2017	2016
	RMB'000	RMB'000
Salaries and other benefits in kind	**1,938**	1,565
Retirement benefits scheme contributions	**125**	70
	2,063	1,635

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

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings RMB'000 (note 22)	**Deferred revenue RMB'000**	**Total RMB'000**
At 1 January 2017	**52,807**	**83**	**52,890**
Cash movements			
Bank and other borrowings raised	**39,451**	**—**	**39,451**
Repayment of bank and other borrowings	**(49,253)**	**—**	**(49,253)**
Non-cash movements			
Foreign exchange movement	**(1,298)**	**—**	**(1,298)**
Credited to profit and loss	**—**	**(83)**	**(83)**
At 31 December 2017	**41,707**	**—**	**41,707**

32. 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 2017	2016	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
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 RMB85,680,000	**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.

Four Years Financial Summary

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

	Year months ended 31 December			
	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**267,444**	296,336	283,101	222,268
Cost of sales	**(145,322)**	(152,478)	(154,350)	(131,772)
Gross profit	**122,122**	143,858	128,751	90,496
Profit before tax	**6,104**	13,652	33,200	20,255
Income tax expenses	**(3,351)**	(3,050)	(5,041)	(3,107)
Profit for the year	**2,753**	10,602	28,159	17,148
Earnings per share				
Basic and diluted (RMB cents)	**0.28**	1.22	3.75	2.29

	31 December			
Assets and liabilities	**2017**	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**345,483**	332,362	244,021	218,306
Total liabilities	**138,309**	128,667	133,140	134,601
Capital and reserves				
Total equity	**207,174**	203,695	110,811	83,705