China Golden Classic Group Limited
中 國 金 典 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8281)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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

ANNUAL RESULTS

The board of directors (the "Board") of the Company announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 (the "Year"), together with the comparative audited figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	3	**307,373**	276,634
Cost of sales		**(180,089)**	(169,905)
Gross profit		**127,284**	106,729
Other income	4	**5,549**	3,130
Selling and distribution costs		**(70,360)**	(59,330)
Administrative expenses		**(47,891)**	(43,736)
Finance costs	5	**(2,872)**	(2,703)
Profit before tax		**11,710**	4,090
Income tax expenses	6	**(2,116)**	(2,455)
Profit for the year	7	**9,594**	1,635
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		**21**	(60)
Total comprehensive income for the year		**9,615**	1,575
Earnings per share			
– Basic and diluted *(RMB cents)*	9	**0.96**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Non-current assets			
Property, plant and equipment		**149,904**	158,468
Right-of-use assets		**18,103**	–
Prepaid lease payments		**–**	18,017
Intangible assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**5,702**	3,188
Deferred tax assets		**620**	608
		174,329	180,281
Current assets			
Inventories		**38,525**	39,759
Trade and other receivables	10	**72,040**	80,022
Prepaid lease payments		**–**	449
Financial asset at fair value through profit or loss ("FVTPL")		**10,972**	–
Bank balances and cash		**80,871**	63,281
Tax recoverable		**–**	637
		202,408	184,148
Current liabilities			
Trade and other payables	11	**64,654**	72,230
Contract liabilities		**32,444**	23,277
Lease liabilities		**62**	–
Tax payables		**1,085**	–
Bank borrowings		**60,000**	60,000
		158,245	155,507
Net current assets		**44,163**	28,641
Non-current liabilities			
Deferred tax liabilities		**330**	400
Lease liabilities		**25**	–
		355	400
Net assets		**218,137**	208,522
Capital and reserves			
Share capital	12	**8,606**	8,606
Reserves		**209,531**	199,916
		218,137	208,522

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital	**Share premium**	**Capital reserve**	**PRC statutory reserve**	**Translation reserve**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	8,606	74,386	15	42,898	2,929	78,113	206,947
Profit for the year	–	–	–	–	–	1,635	1,635
Other comprehensive expense for the year:							
Exchange difference arising on translation of foreign operations	–	–	–	–	(60)	–	(60)
Total comprehensive (expense) income for the year	–	–	–	–	(60)	1,635	1,575
At 31 December 2018	8,606	74,386	15	42,898	2,869	79,748	208,522
At 1 January 2019	**8,606**	**74,386**	**15**	**42,898**	**2,869**	**79,748**	**208,522**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**9,594**	**9,594**
Other comprehensive income for the year:							
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**21**	**–**	**21**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**21**	**9,594**	**9,615**
At 31 December 2019	**8,606**	**74,386**	**15**	**42,898**	**2,890**	**89,342**	**218,137**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

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

The Company was incorporated in the Cayman Islands on 29 July 2015 as an exempted company with limited liability under the Cayman Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of its registered office and principal place of business is Flat B, 19/F, Times Media Centre, 133 Wan Chai Road, Wan Chai, Hong Kong. The Company's shares were listed on GEM (formerly known as "Growth Enterprise Market") of The Stock Exchange of Hong Kong Limited.

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

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

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

HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)–4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.35%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. There is no impact on the opening balance of equity at 1 January 2019.

The Group leases some of the properties and equipment. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17.

The following table summarises the impact of transition to HKFRS 16 as at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018	Impact on adoption of HKFRS 16	Carrying amount as restated at 1 January 2019
		RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets	(a) & (b)	–	18,488	18,488
Prepaid lease payment	(b)	18,466	(18,466)	–
Lease liabilities	(a)	–	(22)	(22)

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of RMB22,000.

(b) Prepaid lease payment of RMB18,466,000 which represent the upfront payments for leasehold lands in the PRC were reclassified to right-of-use assets.

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

3. REVENUE AND SEGMENT INFORMATION

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

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

(1) Oral care products segment reports manufacture and sales of oral care products including functional toothpaste, mouthwash, oral spray and toothbrush.

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

(3) Household hygiene products segment reports manufacture and sales of household hygiene products including surface cleaners, laundry care products, toilet care products and mould proof products.

Segment revenue and results

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

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

	Oral care products *RMB'000*	Leather care products *RMB'000*	Household hygiene products *RMB'000*	Total *RMB'000*
For the year ended 31 December 2019				
Segment revenue for external customers	**170,207**	**26,873**	**110,293**	**307,373**
Segment profit	**80,069**	**6,147**	**41,068**	**127,284**
Unallocated income				**5,549**
Unallocated expenses				**(118,251)**
Finance costs				**(2,872)**
Profit before tax				**11,710**
For the year ended 31 December 2018				
Segment revenue for external customers	152,536	31,344	92,754	276,634
Segment profit	69,842	5,702	31,185	106,729
Unallocated income				3,130
Unallocated expenses				(103,066)
Finance costs				(2,703)
Profit before tax				4,090

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of selling and distribution costs, administrative expenses, other income and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Geographical information

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

Disaggregation of revenue

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

	PRC *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue from external customers			
Year ended 31 December 2019	**302,487**	**4,886**	**307,373**
Year ended 31 December 2018	273,266	3,368	276,634

During the year ended 31 December 2019 and 2018, all revenue from contracts with customers within the scope of HKFRS 15 were recognised at a point in time upon delivery.

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

Information about major customer

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

4. OTHER INCOME

	2019 ***RMB'000***	2018 *RMB'000*
Rental income from properties *(Note i)*	**1,074**	1,109
Rental income from equipment	**310**	302
Bank interest income	**520**	314
Government grants *(Note ii)*	**977**	676
Gain on disposal of property, plant and equipment	**365**	36
Exchange gain, net	**–**	13
Fair value changes on financial assets at FVTPL *(Note iii)*	**1,333**	–
Others	**970**	680
	5,549	3,130

Notes:

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

ii 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.

iii Included realised gain of approximately RMB361,000 upon maturity of the financial asset at FVTPL during the year ended 31 December 2019 (2018: nil).

5. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on bank borrowings	**2,866**	2,703
Interest on lease liabilities	**6**	–
	2,872	2,703

6. INCOME TAX EXPENSES

	2019	2018
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**1,798**	1,187
Withholding tax on dividend	**400**	1,100
	2,198	2,287
Deferred tax	**(82)**	168
	2,116	2,455

7. PROFIT FOR THE YEAR

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

	2019	2018
	RMB'000	*RMB'000*
Auditor's remuneration	**674**	705
Depreciation of property, plant and equipment	**16,866**	14,413
Depreciation of right-of-use assets	**520**	–
Amortisation of prepaid lease payments	**–**	449
Cost of inventories recognised as expenses*	**180,089**	169,905
Exchange losses (gain), net	**64**	(13)
Research and development costs recognised as an expense**	**9,817**	8,864
Operating lease rentals in respect of rented premises	**90**	224
Impairment loss in respect of trade receivables	**79**	26
Bad debts written off	**1,840**	–
Emoluments of directors and chief executive	**1,197**	1,149
Other staff costs:		
Salaries and allowances	**23,787**	22,001
Contributions to retirement benefits schemes	**4,141**	4,471
Total staff costs	**29,125**	27,621

* *Cost of inventories recognised as expenses for the year ended 31 December 2019 included staff costs of RMB9,007,000 (2018: RMB8,697,000) which had been included in the total staff costs disclosed above.*

** *Research and development costs recognised as an expense for the year ended 31 December 2019 included staff costs of RMB4,246,000 (2018: RMB3,780,000) which were also included in the total staff costs disclosure above.*

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

9. EARNINGS PER SHARE

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

Earnings

	2019	2018
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share	**9,594**	1,635

Number of shares

	2019	2018
	'000	*'000*
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,000,000**	1,000,000

Since there are no potential dilutive shares in issue during the years ended 31 December 2019 and 2018, basic and diluted earnings per share are the same for both years.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables *(Note)*	**46,116**	44,159
Less: allowance for impairment of trade receivables	**(549)**	(470)
	45,567	43,689
Deposits and other receivables	**1,241**	2,001
Advances to employees	**1,260**	903
Advances to independent third parties	**–**	2,040
Loans to employees	**3,741**	–
	6,242	4,944
Prepayments for operating expenses	**20,491**	31,649
Less: allowance for impairment of prepayments	**(260)**	(260)
	20,231	31,389
	72,040	80,022

Note: At as 31 December 2019, the gross amount of trade receivable arising from contracts with customers amounted to RMB46,116,000 (2018: RMB44,159,000).

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

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

	2019	2018
	RMB'000	*RMB'000*
0 – 30 days	**42,987**	31,510
31 – 60 days	**1,276**	2,518
61– 90 days	**569**	3,087
Over 3 months but less than 6 months	**735**	1,955
Over 6 months but less than 1 year	**–**	906
Over 1 year	**–**	3,713
	45,567	43,689

11. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade and bills payables *(Note)*	**48,595**	55,472
Accruals and other payables	**15,060**	15,084
Payables for acquisition of property, plant and equipment	**999**	1,674
	64,654	72,230

Note: As at 31 December 2019 and 2018, bill payables were secured by trademarks in carrying amount of nil.

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

	2019	2018
	RMB'000	*RMB'000*
0–30 days	**39,985**	37,969
31–60 days	**4,465**	10,665
61–90 days	**1,241**	2,961
Over 3 months but less than 6 months	**1,243**	2,213
Over 6 months but less than 1 year	**847**	1,041
Over 1 year but less than 2 years	**388**	407
Over 2 years but less than 5 years	**426**	216
	48,595	55,472

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

12. SHARE CAPITAL AND RESERVES

Share capital

	Number of shares	**Nominal value of ordinary shares**	
	'000	*HK$'000*	*RMB'000*
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,000,000	10,000	8,606

13. CAPITAL COMMITMENTS

As at 31 December 2019 and 2018, the Group has the following capital commitments in respect of acquisition of property, plant and equipment:

	2019	2018
	RMB'000	*RMB'000*
Contracted but not provided for	**2,885**	4,838

14. SUBSEQUENT EVENT

(i) The wide spread of the novel Coronavious in China since the beginning of 2020 is a fluid and challenging situation on the operation facing all the instructries of the society. The Group has preliminary assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

(ii) Subsequent to date of reporting period, the Group entered into a series of subscription agreements with certain financial institutions based in the PRC to make investments in wealth management products in excess of approximately RMB40 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Business Review

For the Year, the Group recorded a turnover of approximately RMB307.4 million, increasing by approximately 11.1% as compared to the last corresponding period. The net profit for the Year was approximately RMB9.6 million, increasing by approximately 510% compared to the same period in last year. Net profit margin was approximately 3.1%, representing an increase of approximately 2.5% as compared to the same period last year (2018: 0.6%).

The increase in the amount of the net profit for the Year was mainly attributable to the growth of high margin products during the Year. On the other hand, the Group's overall gross profit margin increased from approximately 38.6% for the year ended 31 December 2018 to approximately 41.4% for the Year. The increase in gross profit margin was mainly due to the increase in proportion of oral care products and household hygiene products.

FINANCIAL REVIEW

Turnover

Turnover of the Group increased by approximately 11.1% from approximately RMB276.6 million for the year ended 31 December 2018 to approximately RMB307.4 million for the Year. The increase in the Group's total turnover was mainly attributed to the increased turnover of oral care products and household hygiene products. The turnover of oral care products increased by approximately RMB17.6 million or 11.6% from approximately RMB152.5 million for the year ended 31 December 2018 to approximately RMB170.2 million for the Year. On the other hand, the turnover of household hygiene products recorded an increase of approximately RMB17.5 million or 18.9% from approximately RMB92.8 million for the year ended 31 December 2018 to approximately RMB110.3 million for the Year. Such increase was mainly due to the enhanced promotion of both household hygiene products and the oral care products. Turnover of our leather care products decreased by approximately RMB4.5 million or 14.1%, from approximately RMB31.3 million for the year ended 31 December 2018 to approximately RMB26.9 million for the Year. Such decrease was mainly due to the shrinking leather care products market during the Year.

Cost of sales

Cost of sales increased from approximately RMB169.9 million for the last corresponding period to approximately RMB180.1 million for the Year, showing an increase of approximately 6.0%. The change was mainly due to the growth in the quantity of our products in 2019.

Gross profit and gross profit margin

Gross profit of the Group increased by approximately 19.3% from approximately RMB106.7 million for the year ended 31 December 2018 to approximately RMB127.3 million for the Year. The increase was mainly attributable to the steady growth of sales.

In addition, our gross profit margin increased by 2.8% from approximately 38.6% for the year ended 31 December 2018 to approximately 41.4% for the Year. The increase was mainly attributed to the sustained growth of our oral care and household hygiene products which has a higher profit margin.

Selling and distribution costs

Selling and distribution costs increased by approximately RMB11.0 million or 18.6% from approximately RMB59.3 million for the year ended 31 December 2018 to approximately RMB70.4 million for the Year. The increase was mainly attributable to the strengthened market promotion and the increasing transportation fees during the corresponding year.

Administrative expenses

Administrative expenses incurred for the Year was approximately RMB47.9 million, representing an increase of approximately RMB4.2 million or approximately 9.5%, as compared to approximately RMB43.7 million for the year ended 31 December 2018.

The main reason was driven by the increase in depreciation for property, plant and equipment, salaries of employees in research and development, and the first year in paying contributions to the labor union fund.

Finance costs

Finance costs incurred for the Year which mainly represent interest expenses, was approximately RMB2.9 million, and increased by approximately RMB0.2 million as compared to RMB2.7 million in the year ended 31 December 2018, representing a slight increase of approximately 6.3%. The increase was mainly attributable to the increase in the average balance of the interest bearing loans during the Year as compared to the same period of 2018. The increase in interest-bearing loans was to increase the liquidity of the group.

Income tax expenses

Income tax expenses incurred for the Year was approximately RMB2.1 million and decreased by approximately RMB0.4 million as compared to RMB2.5 million for the year ended 31 December 2018, representing a sharp decrease of approximately 13.8%. The major reason is that the withholding tax on dividend is RMB 0.4 million in this year (2018: RMB1.1 million). The effective tax rate decreased to approximately 18.1%, representing a decrease of approximately 41.9% as compared to the same period of 2018 (2018: approximately 60%), which was mainly driven by the increase of total net profit during the Year.

Profit for the Year

As a result of the foregoing, our net profit for the Year was approximately RMB9.6 million which represents an increase of approximately 510% as compared with the profit of approximately RMB1.6 million for the year ended 31 December 2018. Net profit margin was approximately 3.1%, representing an increase of approximately 2.5% as compared to the same period of 2018 (2018: approximately 0.6%)

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 2019 was approximately RMB218.1 million (31 December 2018: RMB208.5 million). The Group had current assets of approximately RMB202.4 million (31 December 2018: RMB184.1 million) and current liabilities of approximately RMB158.2 million (31 December 2018: RMB155.5 million). The current ratio was 1.27 and 1.18 as at 31 December 2019 and 2018, 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 2019, the Group had outstanding bank borrowings of approximately RMB60.0 million (31 December 2018: RMB60.0 million). These bank loans were secured by certain buildings, prepaid lease payments and right-of-use assets owned by the Group. As at 31 December 2019, the Group maintained bank balances and cash of approximately RMB80.9 million (31 December 2018: RMB63.3 million). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 0.1 and 0.02 as at 31 December 2019 and 2018, 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 RMB2.9 million of capital commitments not provided for in respect of property, plant and equipment as at 31 December 2019 (31 December 2018: approximately RMB4.8 million). The decrease in capital commitments was mainly due to the decrease in the number of construction projects.

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 2019.

GEARING RATIO

As at 31 December 2019, the Group's gearing ratio was approximately 27.5% (31 December 2018: approximately 28.8%), based on total debt of approximately RMB60.0 million and total equity of approximately RMB218.1 million. The decrease is mainly attributable to the increase of total equity by approximately RMB9.6 million or 4.6% to approximately RMB218.1 million as at 31 December 2019 (31 December 2018: approximately RMB208.5 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 2019, bank borrowings were secured by certain buildings and right-of-use asset in aggregate of RMB19.8 million. As at December 2018, bank borrowings were secured by certain buildings and prepaid lease payment in aggregate of RMB21.1 million. As at 31 December 2019 and 2018, bill payables were secured by trademarks in carrying amount of nil.

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 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities (2018: 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 2019, the Group had a total of approximately 298 employees (2018: 291). The Group's staff cost for the Year amounted to approximately RMB29.1 million (2018: approximately RMB27.6 million). The increase was mainly due to the increased salary levels of employees, especially those in the R&D department and the growth in the number of employees. 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 the individual employee. The Group recognises the importance of maintaining a good relationship with its employees. The remuneration payable to its employees includes salaries and allowance.

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

* *English names are translated for identification purpose only*

SUBSEQUENT EVENT

In January 2020, the Company entered into a series of subscription agreements with an investment company and its affiliates in the PRC in relation to wealth management products in the amount of approximately RMB45 million.

Following the outbreak of the Novel Coronavirus ("COVID-19") disease in the PRC in 2020, a series of precautionary and control measures have been implemented, work has been postponed in most regions and certain levels of restrictions and controls over peoples' travel movements and traffic arrangements have been implemented. The directors of the Company are monitoring the situation and continue to take a step forward in the oral care industry and household hygiene industry, which are daily necessities to further expand the Group's business operations with a view to creating Shareholder's value.

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 are denominated in HK$. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which the Group's assets and liabilities is denominated. A depreciation of the RMB would require the Group to use more RMB funds to service the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB would result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date. In addition, as the proceeds of the Placing was in HK$, any appreciation of the RMB against the HK$ will adversely affect the amount of proceeds the Group receives in terms of RMB. On the other hand, a depreciation of RMB would adversely affect the value of any dividends the Group pays to the shareholders subsequent to the Placing. The Group neither has a formal foreign currency hedging policy nor engages in hedging activities designed or intended to manage such exchange rate risk during the Year. Since RMB is not freely convertible, the Group's ability to reduce foreign exchange rate risk is limited.

Credit risk

The Group is exposed to credit risk primarily arising from trade receivables, other receivables, advances to employees and independent third parties loans to employees 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 RMB79,000 under the expected credit loss model ("ECL") (2018: RMB26,000). 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 38% (2018: approximately 44%) of these receivables are due from the Group's largest five customers as at the year ended 31 December 2019.

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 2019, the Group had net current assets and net assets of RMB44.2 million and RMB218.1 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 borrowings. The Group currently has not entered into any interest rate swaps to hedge against the Group's exposure to changes in fair values of the Group's borrowings. It is the Group's policy to maintain an appropriate level between the Group's borrowings so as to balance the fair value and cash flow interest rate risk. In addition, to the extent that the Group may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of the Group's debt obligations. The Group currently does not use any derivative instruments to manage the Group's interest rate risk. To the extent the Group decides to do so in the future, there can be no assurance that any future hedging activities will protect the Group from fluctuations in interest rates.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group has maintained a good relationship with suppliers and customers. During the Year, there was no material and significant dispute between the Group and its suppliers and/or customers. First, comprehensive training were provided to employees to enhance their abilities to cope with customers. Second, the production and defective rate of our products were strictly controlled to ensure product quality and prevent product shortages. Third, we encouraged our customers to participate in designing new products. Major suppliers maintain years of cooperation with us as we strived to grow with the suppliers.

OUTLOOK

The economic outlook for 2020 remains uncertain and challenging. The World Health Organization (WHO) declared that the outbreak of novel coronavirus disease (COVID-19) has turned out to be a pandemic and it casts a shadow over the development of the world economy. 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 which is daily necessities and further expand the Group's business operations with a view to creating Shareholder's value. The Group was qualified as a manufacturer of disinfectants with a hygienic permit issued by the Provincial Health Commission of Jiangsu on 7 February 2020 to produce sodium hypochlorite and other kind of liquid disinfectants used to kill COVID-19. What deserves to be mentioned is that our Patented FE Enzyme technology shows its excellent ability to combatimicrobials and viruses. Benefits from the renovation of the production facilities on producing the FE Enzyme enable the company to launch more biological liquid disinfectants. In December 2019, our oral care products has been offered for sale on the Tmall supermarket platform, which is an eCommerce business leader in China. The Directors believe that it will improve the Company's eCommerce sales.

In order to boost its economy, the China's central government departments have rolled out policies to support small and medium-sized enterprises (SMEs). The State Council, China's cabinet, on 18 February decided to temporarily exempt social insurance payments and defer the collection of housing provident funds to mitigate the impact of the epidemic outbreak on enterprises. The Ministry of Industry and Information Technology, has unveiled a string of 20 measures to support SMEs. A good case in point is to help SMEs better apply for loans from banks. On 11 February 2020, the tax authorities in China published a document that outlines a set of policies to ease the tax burden on individuals and corporations during the novel coronavirus outbreak. The Directors believe that these new regulations will surely improve the result of the Group.

AUDIT COMMITTEE

The Company established the Audit Committee on 17 June 2016 with written terms of reference which are in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of 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. As at 31 December 2019, the Audit Committee is chaired by Mr. Tang Wai Yau (an independent non-executive Director), and consists of two other independent non-executive Directors, namely Mr. Ye Jingzhong and Mr. Pan Qingwei. None of them acted as former partner of the Company's existing auditing firm within 2 years immediately prior to their respective date of appointment. All of them do not have any material interest in any principal business activity of the Group, nor is or was any of them involved in any material business dealing with the Group or with any core connected persons of the Group within 1 year immediately prior to their respective date of appointment.

During the Year, the Audit Committee had reviewed the Group's unaudited quarterly results for the three months ended 31 March 2019, the nine months ended 30 September 2019 and the unaudited interim results for the six months ended 30 June 2019 as well as audited annual results for the year ended 31 December 2019 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 four meetings during the Year. Details of the attendance of the Audit Committee at the Audit Committee meetings are set out in the section headed "Board Meeting and Procedures".

SCOPE OF AUDITOR'S WORK ON FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited ("SHINEWING"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on this announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2019.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2018: nil) in light of the profit level of the Company during the Year.

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

CODE OF CONDUCT

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

PUBLIC FLOAT

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

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on 25 May 2020 (Monday) 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 19 May 2020 (Tuesday) to 25 May 2020 (Monday), both day inclusive, during which period no transfer of shares of the Company (the "Share") will be registered. The record date will be on 18 May 2020 (Monday). 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 21 May 2020 (Thursday).

PUBLICATION ON THE COMPANY AND STOCK EXCHANGE'S WEBSITES

This annual results announcement is published on the websites of the Company (http://www.goldenclassicbio.com) and the Stock Exchange (www.hkexnews.hk) respectively. The annual report of the Company for the Year will be despatched to shareholders of the Company and available on the same website sin due course.

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

Hong Kong, 27 March 2020

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

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

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

* *For identification purpose only*