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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 2020

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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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 2020 (the “Year”), together with the comparative audited figures for the year ended 31 December 2019 (the “Last Corresponding Period”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

		2020	2019
	Notes	RMB'000	RMB'000
Revenue	3	305,794	307,373
Cost of sales		<u>(173,537)</u>	<u>(180,089)</u>
Gross profit		132,257	127,284
Other income and gain	4	7,105	5,549
Selling and distribution costs		(64,270)	(70,360)
Administrative expenses		(49,735)	(47,891)
Finance costs	5	<u>(2,621)</u>	<u>(2,872)</u>
Profit before tax		22,736	11,710
Income tax expenses	6	<u>(4,578)</u>	<u>(2,116)</u>
Profit for the year	7	<u>18,158</u>	<u>9,594</u>
Other comprehensive income (expense) for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(779)</u>	<u>21</u>
Total comprehensive income for the year		<u>17,379</u>	<u>9,615</u>
Earnings per share			
– Basic and diluted (RMB cents)	9	<u>1.82</u>	<u>0.96</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		147,161	149,904
Right-of-use assets		17,586	18,103
Intangible assets		–	–
Deposits paid for acquisition of property, plant and equipment		4,732	5,702
Deferred tax assets		606	620
		170,085	174,329
Current assets			
Inventories		33,622	38,525
Trade and other receivables	10	69,813	72,040
Financial asset at fair value through profit or loss (“FVTPL”)		10,940	10,972
Bank balances and cash		74,660	80,871
		189,035	202,408
Current liabilities			
Trade and other payables	11	64,449	64,654
Contract liabilities		34,460	32,444
Lease liabilities		17	62
Tax payable		3,295	1,085
Bank borrowings		20,000	60,000
		122,221	158,245
Net current assets		66,814	44,163
Non-current liabilities			
Deferred tax liabilities		1,383	330
Lease liabilities		–	25
		1,383	355
		235,516	218,137
Capital and reserves			
Share capital		8,606	8,606
Reserves		226,910	209,531
		235,516	218,137

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	PRC statutory reserves <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>8,606</u>	<u>74,386</u>	<u>15</u>	<u>42,898</u>	<u>2,890</u>	<u>89,342</u>	<u>218,137</u>

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	PRC statutory reserves <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	8,606	74,386	15	42,898	2,890	89,342	218,137
Profit for the year	-	-	-	-	-	18,158	18,158
Other comprehensive income for the year:							
Exchange difference arising on translation of foreign operations	-	-	-	-	(779)	-	(779)
Total comprehensive income for the year	-	-	-	-	(779)	18,158	17,379
At 31 December 2020	<u>8,606</u>	<u>74,386</u>	<u>15</u>	<u>42,898</u>	<u>2,111</u>	<u>107,500</u>	<u>235,516</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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. The Company’s shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The functional currency of the Company and 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied, for its first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“HKFRSs”) and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the 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.

New and amendments to 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 and related Amendments ⁵
Amendments to HKFRS 3	Reference to Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use ³
Amendments to HKAS 37	Onerous contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendment to HKFRSs	Annual improvement to HKFRSs 2018–2020 cycle ³

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2023.

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 <i>RMB'000</i>	Leather care products <i>RMB'000</i>	Household hygiene products <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2020				
Segment revenue from external customers	154,555	21,289	129,950	305,794
Segment profit	73,175	4,555	53,819	131,549
Unallocated income				7,105
Unallocated expenses				(113,297)
Finance costs				(2,621)
Profit before tax				22,736
For the year ended 31 December 2019				
Segment revenue from 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

Segment assets and liabilities

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
SEGMENT ASSETS		
Jointly-shared by sales of oral care products, leather care products and household hygiene products segments	207,961	216,465
Unallocated	151,159	160,272
	<u>359,120</u>	<u>376,737</u>
Total assets	<u><u>359,120</u></u>	<u><u>376,737</u></u>

SEGMENT LIABILITIES

Jointly-shared by sales of oral care products, leather care products and household hygiene products segments	98,850	97,145
Unallocated	24,754	61,455
	<u>123,604</u>	<u>158,600</u>
Total liabilities	<u><u>123,604</u></u>	<u><u>158,600</u></u>

4. OTHER INCOME AND GAIN

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Rental income from properties	1,242	1,074
Rental income from equipment	310	310
Bank interest income	347	520
Government grants	438	977
Fair value changes on financial assets at FVTPL	2,560	1,333
Others	2,208	1,335
	<u>7,105</u>	<u>5,549</u>
	<u><u>7,105</u></u>	<u><u>5,549</u></u>

5. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank borrowings	2,618	2,866
Interest on lease liabilities	3	6
	<u>2,621</u>	<u>2,872</u>
	<u><u>2,621</u></u>	<u><u>2,872</u></u>

6. INCOME TAX EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	3,161	1,798
Withholding tax on dividend	350	400
	<u>3,511</u>	<u>2,198</u>
Deferred tax	<u>1,067</u>	<u>(82)</u>
	<u>4,578</u>	<u>2,116</u>

7. PROFIT FOR THE YEAR

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Auditor's remuneration	631	674
Depreciation of property, plant and equipment	17,030	16,866
Depreciation of right-of-use assets	517	520
Cost of inventories recognised as expenses	173,537	180,089
Exchange losses, net	1,944	64
Research and development costs recognised as an expense	9,566	9,817
(Reversal of) impairment loss in respect of trade receivables	(91)	79
Loss (gain) on disposal of property, plant and equipment	24	(365)
Impairment loss on property, plant and equipment (included in administrative expenses)	708	–
Bad debts written off (included in administrative expenses)	–	1,840
Emoluments of directors and chief executive	1,118	1,197
Other staff costs:		
Salaries and allowances	25,099	23,787
Contributions to retirement benefits schemes	1,863	4,141
	<u>28,080</u>	<u>29,125</u>
Total staff costs	<u>28,080</u>	<u>29,125</u>

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

9. EARNINGS PER SHARE

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

Earnings

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>18,158</u>	<u>9,594</u>

Number of shares

	2020 '000	2019 '000
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

Since there are no potential dilutive shares in issue during the years ended 31 December 2020 and 2019, basic and diluted earnings per share are the same for both years.

10. TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	42,610	46,116
Less: allowance for impairment of trade receivables	<u>(458)</u>	<u>(549)</u>
	<u>42,152</u>	<u>45,567</u>
Deposits and other receivables	1,471	1,241
Advances to employees	703	1,260
Loans to employees	<u>1,291</u>	<u>3,741</u>
	<u>3,465</u>	<u>6,242</u>
Prepayments	24,456	20,491
Less: allowance for impairment of prepayments	<u>(260)</u>	<u>(260)</u>
	<u>24,196</u>	<u>20,231</u>
	<u><u>69,813</u></u>	<u><u>72,040</u></u>

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0–30 days	39,746	42,987
31–60 days	1,113	1,276
61–90 days	458	569
Over 3 months but less than 6 months	447	735
Over 6 months but less than 1 year	388	–
	<u>42,152</u>	<u>45,567</u>

11. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade and bills payables	47,682	48,595
Accruals and other payables	15,896	15,060
Payables for acquisition of property, plant and equipment	871	999
	<u>64,449</u>	<u>64,654</u>
Contract liabilities	<u>34,460</u>	<u>32,444</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0–30 days	38,831	39,985
31–60 days	4,568	4,465
61–90 days	2,065	1,241
Over 3 months but less than 6 months	1,096	1,243
Over 6 months but less than 1 year	387	847
Over 1 year but less than 2 years	316	388
Over 2 years but less than 5 years	419	426
	<u>47,682</u>	<u>48,595</u>

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. CAPITAL COMMITMENTS

As at 31 December 2020 and 2019, the Group has the following capital commitments in respect of acquisition of property, plant and equipment:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contracted but not provided for	<u>4,382</u>	<u>2,885</u>

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, household hygiene and leather care products in China and overseas.

Business Review

For the Year, the Group recorded a turnover of approximately RMB305.8 million, which slightly decreased by approximately 0.5% as compared to the Last Corresponding Period. The net profit for the Year was approximately RMB18.2 million, which increased by approximately 89.3% compared to the Last Corresponding Period. Net profit margin for the Year was approximately 5.9%, representing an increase of approximately 2.8% as compared to the Last Corresponding Period (2019: 3.1%).

The strong growth in profit for the Year was mainly attributable to (i) the rapid growth of high profit margin household hygiene products; (ii) enhanced export income deriving from exporting our household hygiene products which are manufactured on OEM basis; (iii) reduction of selling and distribution costs; and (iv) increase in investment income arising from the wealth management financial products subscribed by the Group. On the other hand, the Group's overall gross profit margin increased from approximately 41.4% for the Last Corresponding Period to approximately 43.3% for the Year. The increase in gross profit margin was mainly due to the increase in proportion of high margin products.

FINANCIAL REVIEW

Turnover

Turnover of the Group slightly decreased by approximately 0.5% from approximately RMB307.4 million for Last Corresponding Period to approximately RMB305.8 million for the Year. The decrease in the Group's total turnover was mainly attributable to the decreased turnover of oral care products. The turnover of oral care products decreased by approximately RMB15.7 million or 9.2% from approximately RMB170.2 million for Last Corresponding Period to approximately RMB154.5 million for the Year. Such decrease was mainly due to the disruption of business in the first quarter of the Year brought by the outbreak of COVID-19. It is our Group's policy to prevent our distributors from overstocking. As a result, when logistics and transportation was unavailable in the first quarter of the Year, we experienced difficulties in supplying the retail stores with sufficient stock of oral care products before the previous stocks were sold out. Although the sales volume of our oral care products gradually went back to normal after resumption of business activities in mid-March, the overall sales volume of our oral care products was still negatively affected.

On the other hand, the turnover of household hygiene products recorded an increase of approximately RMB19.7 million or 17.8% from approximately RMB110.3 million for the year ended 31 December 2019 to approximately RMB130.0 million for the Year. Such increase was mainly due to the soaring market demand from the Chinese consumers as a result of enhanced awareness of household hygiene since the outbreak of COVID-19. In particular, one of our high profit margin household hygiene products witnessed a substantial increase in sales volume. Since the Directors have given greater attention to household hygiene products and strengthened the cooperation with Jiangnan University, one of the most famous university in the field of household chemical research, the future turnover of household hygiene products will be optimistic.

Turnover of our leather care products decreased by approximately RMB5.6 million or 20.8%, from approximately RMB26.9 million for the year ended 31 December 2019 to approximately RMB21.3 million for the Year. Such decrease was mainly due to the continually shrinking leather care products market during the Year.

Details of the segment revenue, cost and profit for the Year and the Last Corresponding Period are summarised as follows:

	For the year ended 31 December 2020				For the year ended 31 December 2019			
	Oral care products <i>RMB'000</i>	Leather care products <i>RMB'000</i>	Household hygiene products <i>RMB'000</i>	Total <i>RMB'000</i>	Oral care products <i>RMB'000</i>	Leather care products <i>RMB'000</i>	Household hygiene products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	154,555	21,289	129,950	305,794	170,207	26,873	110,293	307,373
Segment cost	81,380	16,734	76,131	174,245	90,138	20,726	69,225	180,089
Segment profit	73,175	4,555	53,819	131,549	80,069	6,147	41,068	127,284

Cost of sales

Cost of sales decreased from approximately RMB180.1 million for the Last Corresponding Period to approximately RMB173.5 million for the Year, showing a decrease of approximately 3.6%. The change was mainly due to the growth of the proportion of high gross profit margin products.

Gross profit and gross profit margin

Gross profit of the Group increased by approximately 3.9% from approximately RMB127.3 million for the Last Corresponding Period to approximately RMB132.3 million for the Year. The increase was mainly attributable to the steady growth of the proportion of high gross profit margin products.

In addition, our gross profit margin increased by 1.9% from approximately 41.4% for the Last Corresponding Period to approximately 43.3% for the Year. The increase was mainly attributed to the sustained growth of kitchen cleanser products which has a higher profit margin.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB6.1 million or 8.7% from approximately RMB70.4 million for the Last Corresponding Period to approximately RMB64.3 million for the Year. The decrease was mainly attributable to the reduced engagement of temporary sales personnel and decreased travelling costs.

Administrative expenses

Administrative expenses incurred for the Year was approximately RMB49.7 million, representing an increase of approximately RMB1.8 million or approximately 3.9%, as compared to approximately RMB47.9 million for Last Corresponding Period. The main reason was driven by the increase in depreciation for property, plant and equipment, salaries of employees of the research and development department.

Finance costs

Finance costs incurred for the Year which mainly represent interest expenses, was approximately RMB2.6 million. It decreased by approximately RMB0.3 million as compared to RMB2.9 million in the Last Corresponding Period, representing a decrease of approximately 8.7%. The decrease was mainly attributable to the decrease in the average balance of the interest-bearing loans during the Year.

Income tax expenses

Income tax expenses incurred for the Year was approximately RMB4.6 million, increased by approximately RMB2.5 million as compared to RMB2.1 million for the Last Corresponding Period, representing a sharp increase of approximately 116.4%. The major reason is that the Group was not accredited as high-tech enterprise in the Year, which led to loss of preferential tax status.

Profit for the Year

As a result of the foregoing, our net profit for the Year was approximately RMB18.2 million which represents a substantial increase of approximately 89.3% as compared with the profit of approximately RMB9.6 million for the Last Corresponding Period. Net profit margin was approximately 5.9%, representing an increase of approximately 2.8% as compared to the Last Corresponding Period (2019: approximately 3.1%).

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 2020 was approximately RMB235.5 million (31 December 2019: RMB218.1 million). The Group had current assets of approximately RMB189.0 million (31 December 2019: RMB202.4 million) and current liabilities of approximately RMB122.2 million (31 December 2019: RMB158.2 million). The current ratio was 1.55 and 1.28 as at 31 December 2020 and 2019, 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 2020, the Group had outstanding bank borrowings of approximately RMB20.0 million (31 December 2019: 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 2020, the Group maintained bank balances and cash of approximately RMB74.7 million (31 December 2019: RMB80.9 million). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 0.23 and 0.1 as at 31 December 2020 and 2019, respectively.

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

CAPITAL COMMITMENTS

The Group had approximately RMB4.4 million of capital commitments not provided for in respect of property, plant and equipment as at 31 December 2020 (31 December 2019: approximately RMB2.9 million). The increase in capital commitments was mainly arising from the renovation and upgrading costs of the Group's production workshop for household hygiene products.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Company's prospectus dated 30 June 2016 (the "Prospectus") and this announcement, the Group did not have other plans for material investments and capital assets as at 31 December 2020.

GEARING RATIO

As at 31 December 2020, the Group's gearing ratio was approximately 8.5% (31 December 2019: approximately 27.5%), based on total debt of approximately RMB20.0 million and total equity of approximately RMB235.5 million. The decrease is mainly attributable to the decrease in the average balance of the interest-bearing loans during the Year as compared to the Last Corresponding Period.

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 2020, bank borrowings were secured by certain buildings and right-of-use asset in aggregate of RMB18.4 million. As at 31 December 2019, bank borrowings were secured by certain buildings and prepaid lease payment in aggregate of RMB19.8 million. As at 31 December 2020 and 2019, bill payables were secured by trademarks in carrying amount of nil.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There has been no material acquisitions or disposals of subsidiaries or affiliated companies of the Group for the Year.

During the Year, the Group subscribed for wealth management products for an aggregate principal amount of RMB52.9 million offered by a group of affiliated institutions which comprises of ZZ International Investment Holdings Limited* (中植國際投資控股有限公司) ("ZZ Investment Holdings"), ZZ High-Tech (Beijing) Investment Co., Ltd. ("ZZ High-Tech Investment")* (中植高科(北京)投資有限公司) and Beijing Zhixin Fund Sales Co., Ltd.* (北京植信基金銷售有限公司) ("Beijing Zhixin") (collectively, the "ZZ Group"), and structured deposit product for an aggregate principal amount of RMB20 million offered by the Bank of China (the "Subscriptions"). A summary of the Subscriptions are set out below:

2020 Private Fund Raising Plan

- 1) Subscription of a wealth management product involving investment of RMB30 million to ZZ Investment Holdings for a term of 6 months on 2 January 2020, the subscription of which has been redeemed on 14 July 2020;
- 2) Subscription of a wealth management product involving investment of RMB10 million to ZZ High-Tech Investment for a term of 12 months on 17 January 2020, the subscription of which has been redeemed on 19 January 2021.

* *English names are translated for identification purpose only*

Medium and Short Term Bond Fund

- 3) Subscription of a wealth management product involving investment of RMB5 million to Beijing Zhixin on 13 January 2020, the subscription amount of which has been redeemed on 23 March 2020;
- 4) Subscription of a wealth management product involving investment of RMB7.9 million to Beijing Zhixin on 10 March 2020, the subscription amount of which has been redeemed on 23 March 2020 (collectively the “WM Products”).

Structured Deposit Product

- 5) Subscription of a structured deposit product of RMB20 million provided by Bank of China on 27 August 2020 for a term of 92 days, the subscription of which has been redeemed on 1 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no material contingent liabilities (2019: 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 States 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 2020, the Group had a total of approximately 273 employees (2019: 298). The Group’s staff cost for the Year amounted to approximately RMB28.1 million (2019: approximately RMB29.1 million). The decrease was mainly due to the decline of number of employees required for the production process after our Group improved the production automation. The Group’s remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognises the importance of maintaining a good relationship with its employees. The remuneration payable to its employees includes salaries and allowance.

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

SUBSEQUENT EVENT

Since the end of the Year and up to the Latest Practicable Date, there was no material event or change in the operation or financial conditions of the Group. The Group is in the process of renovating the production workshop for the Group's household hygiene products with the aim of increasing the Group's production capacity and reducing reliance on workforce. It is expected that the upgraded workshop will be put in use in the third quarter of 2021.

Although the risk of China experiencing another large-scale COVID-19 outbreak is relatively low, certain regional outbreaks can still negatively and substantially affect the supply chain system of the Group. To minimise such risk, the management has implemented the following measures in 2021:

- (i) setting up epidemic prevention mechanism, actively monitoring the body temperature of the employees, and encouraging the employees to take the COVID-19 vaccination;
- (ii) further improving the automation rate of the production process to reduce the reliance on production workers;
- (iii) exploring and approaching more alternative suppliers, adequately increasing the stock volume of particular production materials and packaging materials to prevent disruption of production caused by late delivery of a single supplier;
- (iv) further improving the Group's online sales performance, establishing online and offline selling channels.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 December 2020 are set out in 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.

* *English names are translated for identification purpose only*

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. 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. Reversal of the impairment losses on trade receivables recognised during the Year was RMB91,000 under the expected credit loss model ("ECL") (2019: impairment loss of RMB79,000). 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 15% (2019: approximately 23%) of these receivables are due from the Group's largest five customers as at the year ended 31 December 2020.

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 2020, the Group had net current assets and net assets of RMB66.8 million and RMB235.5 million, respectively. As a result, the Group is not exposed to liquidity risk. The Group manages the liquidity risk by maintaining sufficient cash and banking facilities to enable the Group to meet the Group's normal operating and capital commitments.

Interest rate risk

The Group's interest rate risk relates primarily to the Group's bank balances as well as bank 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

Looking ahead, the outlook of the Group remains optimistic. Since the second quarter of the Year, thanks to the timely and aggressive contamination control measures taken by the Chinese government, the COVID-19 epidemic in China has been largely alleviated. Despite the lockdowns and nationwide economic lull in the first quarter, China still managed to stage an impressive recovery in the later quarters of the Year, and achieved a 2.3% gross domestic product yearly growth. COVID-19 still imposes great uncertainties in the economy at both macro and micro levels. However, on the basis that there has been very limited number of new COVID-19 infection cases in China since the year of 2021, it is expected that both Chinese economy and consumer spending power are going to achieve a higher growth rate. Accordingly, the management has developed the following strategies for the Group:

Firstly, the Group will leverage on the consumers' strong demands for high efficacy personal and household hygiene products to achieve further growth. The Group's upgraded household hygiene product workshop is expected to be put into use in the third quarter of 2021. The newly renovated workshop is equipped with highly automated production equipment, which is able to enhance the Group's production capacity and reduce workforce costs.

Secondly, the Group will strive to ride on the high-speed development of China's e-commerce sales channels. China is the largest e-commerce market in the world. In recent years, the prevalence of China's mobile Internet and upgrading of logistics technology and payment technology have promoted the continuous and vigorous development of China's e-commerce. Thanks to the rapid development of China's e-commerce platform, online retail channel has become the fastest-growing sales channel in China's personal and household hygiene industry. The management has been looking for professional e-commerce marketing service providers and investors to enhance the Group's online sales performance.

Last but not least, the Group will continue to develop products applying the Group's core patent technology FE enzyme. Clinical study reports published by authoritative medical institutions such as Shanghai Institute of Stomatology (上海市口腔醫學研究所) have shown that FE enzyme has biological sterilization effects. The Board believes that there are great potentials in the extended application of the Group's FE enzyme technology in the Group's products. Therefore, the Group will continue its efforts in the development and promotion of these products.

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 2020, the Audit Committee is chaired by Mr. Tan Wai Yau (an independent non-executive Director), and consists of two other independent non-executive Directors, namely Mr. Ye Jingzhong and Mr. 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 2020 and the Group's internal controls for the Year. The Group's results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this announcement, and confirmed that this announcement complies with the GEM Listing Rules.

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 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 2020 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 has purchased, sold or redeemed any of the Company's listed securities during the Year and up to the date of this announcement.

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 (2019: 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 Listing Date 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 2021 (Tuesday) 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 2021 (Wednesday) to 25 May 2021 (Tuesday), both day inclusive, during which period no transfer of shares of the Company (the “Share”) will be registered. 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 18 May 2021 (Tuesday).

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 in due course.

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

Hong Kong, 26 March 2021

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

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.goldenclassicbio.com.