

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



Interim Report 2022

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Ye Jingzhong
Mr. Pan Qingwei
Mr. Tang Wai Yau

AUDIT COMMITTEE

Mr. Tang Wai Yau (*Chairman*)
Mr. Ye Jingzhong
Mr. Pan Qingwei

REMUNERATION COMMITTEE

Mr. Ye Jingzhong (*Chairman*)
Mr. Pan Qingwei
Ms. Li Qiuyan

NOMINATION COMMITTEE

Ms. Li Qiuyan (*Chairman*)
Mr. Ye Jingzhong
Mr. Pan Qingwei

COMPLIANCE OFFICER

Ms. Li Qiuyan

COMPANY SECRETARY

Mr. Xiang Dongliang

REGISTERED OFFICE

P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE IN THE PRC

No. 34, 35 Yingbin Road,
Xiake Town, Jiangyin City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat B, 19/F
Times Media Centre
133 Wan Chai Road
Wan Chai
Hong Kong

PRINCIPAL BANKERS

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

AUDITOR

SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor

LEGAL ADVISER AS TO HONG KONG LAWS

Seyfarth Shaw

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricolor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.goldenclassicbio.com

STOCK CODE

8281

Interim Results

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	55,198	60,184	114,922	128,443
Cost of sales		(34,528)	(36,507)	(73,488)	(77,756)
Gross profit		20,670	23,677	41,434	50,687
Other income		1,424	1,248	2,072	1,460
Selling and distribution costs		(9,231)	(9,773)	(22,025)	(30,163)
Administrative expenses		(9,909)	(12,110)	(22,754)	(22,402)
Finance costs		(53)	(209)	(301)	(429)
Profit (loss) before tax		2,901	2,833	(1,574)	(847)
Income tax (expenses) credit	4	(336)	(670)	67	65
Profit (loss) for the period	5	2,565	2,163	(1,507)	(782)
Other comprehensive income for the period					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		1,132	185	841	435
Total comprehensive income (expense) for the period attributable to owners of the Company		3,697	2,348	(666)	(347)
Earnings (loss) per share					
Basic and diluted (RMB cents)	6	0.26	0.22	(0.15)	(0.08)

Interim Results

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	141,449	146,720
Right-of-use assets	9	16,894	17,118
Intangible assets		–	–
Deposits paid for acquisition of property, plant and equipment		10,513	8,137
Deferred tax assets		606	606
		169,462	172,581
Current assets			
Inventories		38,926	32,560
Trade and other receivables	10	65,894	74,583
Financial assets at fair value through profit or loss ("FVTPL")	11	3,000	4,695
Bank balances and cash		31,291	68,596
		139,111	180,434
Current liabilities			
Trade and other payables	12	41,095	56,865
Contract liabilities	12	16,185	29,982
Tax payable		2,627	1,900
Bank borrowing	13	–	15,000
		59,907	103,747
Net current assets		79,204	76,687
Total assets less current liabilities		248,666	249,268
Non-current liability			
Deferred tax liabilities		1,317	1,253
		247,349	248,015
Capital and reserves			
Share capital	14	8,606	8,606
Reserves		238,743	239,409
		247,349	248,015

Interim Results

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022 (audited)	8,606	74,386	15	42,898	1,765	120,345	248,015
Loss for the period	-	-	-	-	-	(1,507)	(1,507)
Other comprehensive income for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	841	-	841
Total comprehensive income (expense) for the period	-	-	-	-	841	(1,507)	(666)
At 30 June 2022 (unaudited)	8,606	74,386	15	42,898	2,606	118,838	247,349
At 1 January 2021 (audited)	8,606	74,386	15	42,898	2,111	107,500	235,516
Loss for the period	-	-	-	-	-	(782)	(782)
Other comprehensive income for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	435	-	435
Total comprehensive income (expense) for the period	-	-	-	-	435	(782)	(347)
At 30 June 2021 (unaudited)	8,606	74,386	15	42,898	2,546	106,718	235,169

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Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(26,358)	(22,619)
INVESTING ACTIVITIES		
Purchase of financial assets at FVTPL	(3,000)	(4,500)
Proceeds on disposal of financial assets at FVTPL	4,695	10,983
Acquisition of property, plant and equipment	(1,639)	(1,295)
Proceeds on disposal of property, plant and equipment	4,886	–
Addition in deposits paid for acquisition of property, plant and equipment	(3,895)	(3,760)
Other investing cash flows (net)	881	994
Net cash generated from investing activities	1,928	2,422
FINANCING ACTIVITIES		
Bank borrowing raised	–	15,000
Repayment of bank borrowing	(15,000)	(20,000)
Settlement of lease liabilities	–	(14)
Other financing cash flows (net)	1,284	(429)
Net cash used in financing activities	(13,716)	(5,443)
Net decrease in cash and cash equivalents	(38,146)	(25,640)
Cash and cash equivalents at beginning of the period	68,596	74,660
Effect of foreign exchange rate changes	841	435
Cash and cash equivalents at end of the period, representing bank balances and cash	31,291	49,455

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

1. BASIS OF PREPARATION AND PRESENTATION OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

China Golden Classic Group Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and its shares are listed on GEM of the Stock Exchange on 8 July 2016.

The principal activity of the Company is investment holding during the period. The subsidiaries of the Company are principally engaged in the manufacture and trading of oral care, leather care and household hygiene products.

The unaudited condensed consolidated interim financial information (“Financial Information”) of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information of the Group should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 December 2021. The accounting policies adopted in preparing the Financial Information, except the new or revised standards as described in note 2, were consistent with those applied for the financial statements of the Group for the year ended 31 December 2021.

The functional currency of the Company and the Group’s principal subsidiaries is Hong Kong Dollar (“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 Financial Information in RMB.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis.

The accounting policies and methods of computation used in the Financial Information are consistent with those followed in the preparation of the annual audited consolidated financial statements of the Group for the year ended 31 December 2021, except as described below.

In the current interim period, the Group has applied, for the 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 HKICPA which are effective for the Group's financial year beginning on 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in this Financial Information.

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Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

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 the types of goods or services delivered or provided. No operating segments identified by the CODM 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.

(a) Segment revenues and results

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

During the six months ended 30 June 2022 and 2021, all revenue were recognised at a point in time upon delivery.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

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

For the six months ended 30 June 2022 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	52,744	6,081	56,097	114,922
Segment profit	20,109	2,228	19,097	41,434
Unallocated income				2,072
Unallocated expenses				(44,779)
Finance costs				(301)
Loss before tax				(1,574)

For the six months ended 30 June 2021 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	56,812	8,961	62,670	128,443
Segment profit	25,044	1,957	23,686	50,687
Unallocated income				1,460
Unallocated expenses				(52,565)
Finance costs				(429)
Loss before tax				(847)

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (continued)

For the three months ended 30 June 2022 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	22,112	5,530	27,556	55,198
Segment profit	10,310	233	10,127	20,670
Unallocated income				1,424
Unallocated expenses				(19,140)
Finance costs				(53)
Profit before tax				2,901

For the three months ended 30 June 2021 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	27,798	3,281	29,105	60,184
Segment profit	12,002	591	11,084	23,677
Unallocated income				1,248
Unallocated expenses				(21,883)
Finance costs				(209)
Profit before tax				2,833

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (continued)

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

(b) Segment assets and liabilities

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

Segment assets

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products	193,240	217,469
Unallocated	115,333	135,546
Total assets	308,573	353,015

Segment liabilities

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products	57,204	86,771
Unallocated	4,020	18,229
Total liabilities	61,224	105,000

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

4. INCOME TAX EXPENSES (CREDIT)

Income tax in the condensed consolidated statement of profit or loss represents:

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax				
PRC Enterprise Income Tax	370	703	-	-
Deferred tax	(34)	(33)	(67)	(65)
	336	670	(67)	(65)

- Pursuant to the rules and regulations of the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the BVI.
- No provision for Hong Kong Profits Tax had been made for the six months ended 30 June 2022 (2021: nil) as the Group did not have any assessable profits arising in Hong Kong during both periods.
- Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries registered in the PRC is 25%.
- One of the Group's subsidiaries registered in the PRC is recognised as a High and New-technology Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 15% for the six months ended 30 June 2022 (2021: 15%).
- One of the Group's subsidiaries registered in the PRC is recognised as a Small and Low Profit Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 5% for the six months ended 30 June 2022 (2021: 5%).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

5. PROFIT (LOSS) FOR THE PERIOD

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

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories recognised as expenses	34,528	36,507	73,488	77,756
Depreciation of property, plant and equipment	208	2,979	3,583	6,381
Impairment loss of trade receivables	–	–	129	–
Depreciation of right-of-use assets	–	112	268	238
Gain on disposal of property, plant and equipment	(132)	–	(132)	–
Fair value loss on financial assets at FVTPL	–	43	–	43

6. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the period attributable to the owners of the Company is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit (loss) attributable to owners of the Company	2,565	2,163	(1,507)	(782)

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

6. EARNINGS (LOSS) PER SHARE (Continued)

Number of shares

	Three months ended 30 June		Six months ended 30 June	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)	2022 '000 (Unaudited)	2021 '000 (Unaudited)
Weighted average number of ordinary shares	1,000,000	1,000,000	1,000,000	1,000,000

Note: No diluted earnings (loss) per share is presented for the six months ended 30 June 2022 and for the corresponding periods in 2021 as the Group had no potential ordinary shares outstanding.

7. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2022 (2021: nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, additions to the Group's property, plant and equipment were approximately RMB2,482,000 (30 June 2021: approximately RMB6,027,000).

9. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022 and 2021, the Group did not enter into new lease agreement for the use of assets with lease term more than 12 months.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

10. TRADE AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade and bills receivables	34,641	48,448
Less: allowance for impairment of trade receivables	(408)	(279)
	34,233	48,169
Deposits and other receivables	64	1,522
Advances to employees	357	149
Loan to employees	263	–
	684	1,671
Prepayments	30,977	24,743
	65,894	74,583

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

10. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0–30 days	30,748	40,735
31–60 days	482	4,328
61–90 days	1,116	663
Over 3 months but less than 6 months	987	1,555
Over 6 months but less than 1 year	900	888
	34,233	48,169

Movement in the impairment on trade receivables:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At beginning of period/year	279	458
Reversal of impairment loss for the period/year	–	(2)
Amount written off as uncollectible	–	(177)
Impairment loss for the period/year	129	–
At end of period/year	408	279

Trade and bills receivables that were not past due relate to customer for whom there was no recent history of default.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

11. FINANCIAL ASSETS AT FVTPL

As at 30 June 2022 and 31 December 2021, financial assets at FVTPL represented wealth management products placed at a financial institute with maturity date up to one year from the date of purchase.

Fair values of financial instruments

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

		Valuation techniques and key inputs	At as 30 June 2022 RMB'000	As at 31 December 2021 RMB'000	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Financial assets at FVTPL							
Wealth management products	Level 3	Discounted cash flow method with estimated yield rate as the key input	3,000	4,695	The discount rate	7% (2021: 7%)	The higher the discount rate, the lower the fair value

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	RMB'000
At 31 December 2021	4,695
Purchases	3,000
Disposal	(4,695)
At 30 June 2022	3,000

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

12. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade and bills payables	31,956	42,162
Accruals and other payables	8,800	14,260
Payables for property, plant and equipment	339	443
	41,095	56,865
Contract liabilities	16,185	29,982

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0–30 days	18,901	15,904
31–60 days	3,399	5,354
61–90 days	7,185	8,114
Over 3 months but less than 6 months	1,015	11,236
Over 6 months but less than 1 year	647	689
Over 1 year but less than 2 years	227	302
Over 2 years but less than 5 years	582	563
	31,956	42,162

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

13. BANK BORROWING

The Group did not obtain any bank borrowing during the six months ended 30 June 2022 (31 December 2021: RMB15,000,000) and the Group repaid bank borrowing of RMB15,000,000 (31 December 2021: RMB20,000,000) during the six months ended 30 June 2022.

14. SHARE CAPITAL

	Number of shares '000	Nominal value of ordinary shares HK\$'000
Authorised:		
Ordinary shares		
At 1 January 2021 (audited), 31 December 2021 (audited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	2,000,000	20,000
Issued and fully paid:		
Ordinary shares		
At 1 January 2021 (audited), 31 December 2021 (audited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	1,000,000	10,000
Equivalent to RMB'000		8,606

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

15. CAPITAL COMMITMENTS

Capital commitments in respect of acquisition of plant and equipment at the end of the reporting period were as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted but not provided for	1,841	3,705

16. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the Group has the following transactions with its related parties:

- (a) During the six months ended 30 June 2022, the Group rented an office premise from Ms. Li Qiuyan, a director of the Company, at nil consideration (2021: nil).
- (b) During the six months ended 30 June 2022, the Group advanced a loan of approximately RMB263,000 to employees (2021: nil).

(c) Key management compensation

The remuneration of directors and other members of key management during the period are as follows:

	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
Salaries and other benefits in kind	713	768
Retirement benefits scheme contributions	51	55
	764	823

BUSINESS REVIEW

For the six months ended 30 June 2022 (the “Period”), the Group recorded a turnover of approximately RMB114.9 million, which decreased by approximately 10.5% as compared to the six months ended 30 June 2021 (the “Last Corresponding Period”). The decrease of the Group’s total turnover was mainly attributed to the decreased turnover of household hygiene products and oral care products. The turnover of household hygiene products decreased by approximately RMB6.6 million or 10.5% from approximately RMB62.7 million for the Last Corresponding Period to RMB56.1 million for the Period. The sales volume of the Group’s oral care products witness a decrease of 7.2% from approximately RMB56.8 million for the Last Corresponding Period to approximately RMB52.7 million for the Period. Such decrease was mainly due to (i) the shortage of raw materials and packaging materials arising from the low efficiency of logistics caused by COVID-19; (ii) the weak demand of the distributors in pandemic affected areas; and (iii) the decreased promotion of low gross margin products as the raw materials rise sharply.

The turnover of the Group’s leather care products decreased by approximately RMB2.9 million or 32.1% to approximately RMB6.1 million for the Period, as compared with approximately RMB9.0 million for the Last Corresponding Period. The profit margin of leather care products is lower than the other two segments products. The Group recorded a net loss of approximately RMB1.5 million in the Period compared to the net loss of RMB0.8 million in the Last Corresponding Period, representing a decrease of approximately 92.8%. In the second quarter of 2022, a serious epidemic occurred in Jiangyin city, where the company was located. Benefiting from the company’s excellent epidemic prevention measures, the company became one of the first enterprises to resume work in Jiangyin and recorded a higher quarterly profit compared with the same period last year.

During the Period, the Group’s net loss margin was approximately 1.3% as compared to the net loss margin of approximately 0.6% in the Last Corresponding Period, representing a decrease of approximately 0.7%. On the other hand, the Group’s overall gross profit margin was approximately 36.1% in the Period, representing a decrease of approximately 3.4% from approximately 39.5% in the Last Corresponding Period. The decrease in gross profit margin was primarily attributed to the rise in the price of raw materials and packaging materials.

Business Review and Prospects

PROSPECTS AND OUTLOOKS

The economic situation in the second half of 2022 is still full of uncertainties and opportunities.

Firstly, the BA.5 subvariant of COVID-19 has led to a rise in the number of cases in many places, and the epidemic is far from over. Given the implementation of the Group's advanced epidemic prevention measures, the damage of the epidemic broken out in early May 2022 in Jiangyin City, Jiangsu Province, the PRC, where the Group's principal business is located, was not significant.

Secondly, in August 2022, the Yangtze River Delta region where the company was located suffered from extreme heat, and the power shortage began to appear. Benefiting from the Group's layout of photovoltaic power generation projects and the installation of air-conditioning in all production workshops, the Group's operation was basically not affected.

Thirdly, US House of Representatives Speaker Nancy Pelosi's "reckless" visit to Taiwan island not only raised tensions across the Taiwan Straits, but also keeps Pacific Rim Countries on tenterhooks.

In response to the recent economic situation, the management of the Group has formulated the following strategies for the Group:

- (1) the Group will continue to strengthen its epidemic prevention measures;
- (2) taking into consideration that talent flow has been seriously blocked by the epidemic, the Group plans to rent , and is in the course of identifying, suitable property(ies), where employees with vast knowledge, skills and experience are more likely to be attracted, identified and retained for its e-commerce and R&D departments; and
- (3) the Group will further strengthen the development of enzyme-containing biological disinfection products to enhance the market share of household hygiene products.

Management Discussion and Analysis

RESULTS OF OPERATION

The Group's turnover for the Period was approximately RMB114.9 million, representing a decrease of approximately 10.5% as compared to approximately RMB128.4 million for the Last Corresponding Period. During the Period, the Group incurred a loss attributable to owners of the Company of approximately RMB1.5 million, while the Group incurred a net loss of approximately RMB0.8 million for the Last Corresponding Period. The basic loss per share of the Group was RMB0.15 cent for the Period compared to the basic loss per share of RMB0.08 cent for the Last Corresponding Period.

Turnover

The Group recorded a turnover of approximately RMB114.9 million for the Period, indicating a decrease of approximately 10.5% as compared to approximately RMB128.4 million for the Last Corresponding Period. The lower turnover was mainly due to the decreased sales volume of the Group's household hygiene products from approximately RMB62.7 million for the Last Corresponding Period to approximately RMB56.1 million for the Period. On the other hand, the turnover of oral care products recorded a decrease of approximately RMB4.1 million or 7.2% from approximately RMB56.8 million for the Last Corresponding Period to approximately RMB52.7 million for the Period.

Cost of sales

The Group's cost of sales decreased from approximately RMB77.8 million for the Last Corresponding Period to approximately RMB73.5 million for the Period, signifying a decrease of approximately RMB4.3 million or 5.5%, which was mainly due to the decreased product sales volume.

Gross profit and gross profit margin

The Group's gross profit experienced a decrease of approximately RMB9.3 million or 18.3% between the Last Corresponding Period and the Period, valued at approximately RMB50.7 million and RMB41.4 million, respectively. Similarly, the Group's gross profit margin for the Period (36.1%) showed a decrease of 3.4% as compared to the Last Corresponding Period (39.5%), principally due to the increase in price of raw materials and packaging materials during the Period.

Selling and distribution costs

The selling and distribution costs decreased by RMB8.1 million or approximately 27.0%, from approximately RMB30.2 million for the Last Corresponding Period to approximately RMB22.0 million for the Period. The decrease was mainly attributable to the reduced engagement of temporary personnel during the Period.

Management Discussion and Analysis

Administrative expenses

For the Period, approximately RMB22.7 million of administrative expenses were incurred as compared to RMB22.4 million for the Last Corresponding Period. The figure amounted to an increase of approximately RMB0.4 million or 1.6%, which was mainly due to the increase in long-term amortized expenses.

Finance costs

The interest expenses incurred by the Group for the Period were approximately RMB0.3 million, representing a decrease of approximately RMB0.1 million or 29.8% as compared to approximately RMB0.4 million for the Last Corresponding Period. This was mainly due to the decreased average loan amounts for the Period as compared to the Last Corresponding Period.

Loss for the Period

As a result of the foregoing, the Group incurred a net loss of approximately RMB1.5 million for the Period, representing a difference of approximately RMB0.7 million or 92.8% as compared to the net loss of approximately RMB0.8 million for the Last Corresponding Period. Meanwhile, the net loss margin for the Period was approximately 1.3%, representing a change of approximately 0.7% as compared to the net loss margin of 0.6% for the Last Corresponding Period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group at 30 June 2022 was approximately RMB247.3 million (RMB248.0 million at 31 December 2021). As at 30 June 2022, the Group owned current assets of approximately RMB139.1 million (RMB180.4 million at 31 December 2021) and current liabilities of approximately RMB59.9 million (RMB103.7 million at 31 December 2021). The current ratio was 2.32 at 30 June 2022 and 1.74 at 31 December 2021, respectively.

During the Period, the Group generally financed its operations with internally generated cash flow. The Group did not have outstanding bank borrowings as at 30 June 2022 (31 December 2021: RMB15.0 million). These bank borrowings were secured by certain properties owned by the Group. As at 30 June 2022, the Group maintained bank balances and cash of approximately RMB31.3 million (RMB68.6 million at 31 December 2021). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 0.13 and 0.22 as at 30 June 2022 and 31 December 2021, respectively. The Group's gearing ratio (total bank borrowings over shareholders' equity) was 0% and 6.0% as at 30 June 2022 and 31 December 2021, respectively.

Management Discussion and Analysis

The Group possesses sufficient cash and banking facilities to meet its commitments and working capital requirements.

CHARGE OVER ASSETS OF THE GROUP

As at 30 June 2021, bank borrowings were secured by certain buildings and right-of-use assets in aggregate of approximately RMB17.3 million (2022: nil). As at 30 June 2022 and 2021, bills payables were secured by trademarks with carrying amount of nil.

CAPITAL COMMITMENTS

Save as disclosed above, as at 30 June 2022, the Group had no other material capital commitments.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, there were no other significant investments held, nor material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022 and there are no plans for material investments or capital assets as at 30 June 2022.

CONTINGENT LIABILITIES

As at 30 June 2022 and 2021, the Group had no material contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2022, the Group had 264 full-time employees. The Group's staff cost for the Period amounted to approximately RMB7.9 million. The Group had maintained good relationships with its employees by providing them with training programmes, competitive compensation packages and incentives. Staff remuneration is awarded based on the job nature, scope of duty, work performance and professional experience of the particular staff, having taken the prevailing market situation into account. The Group's remuneration to employees includes salaries and discretionary annual bonuses.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Most business transactions are settled in RMB since the operations of the Group are mainly carried out in the PRC. The reporting currency of the Group is in RMB.

The Group's cash and bank deposits are predominantly in RMB. Based on the aforesaid, the Group did not enter into any agreement to hedge against the foreign exchange risk. The Company will pay dividends in HK\$ if dividends are declared and it will continue to monitor the fluctuation of RMB closely and will introduce suitable measures as and when appropriate.

Other Information

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

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have taken under such provisions of the SFO), or be required to be entered in the register referred to therein pursuant to section 352 of the SFO, or be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, are as follows:

Long position in the ordinary shares of the Company

Name of Director	Capacity/nature of interest	Number of shares or underlying shares	Approximate percentage of interest in the Company
Ms. Li Qiuyan ("Ms. Li")	Interest of a controlled corporation (<i>Note 1</i>)	575,625,000	57.56%
Mr. Tong Xing ("Mr. Tong")	Interest of a controlled corporation (<i>Note 2</i>)	106,875,000	10.69%

Notes:

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

Long position in the shares of the associated corporation

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of shares or underlying shares	Approximate percentage of interest in the company
Ms. Li	ChongBo Mary	Beneficial owner	1	100%

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

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

As at 30 June 2022, so far as the Directors are aware, the following persons (not being Directors or the chief executive of the Company) had interests and/or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company pursuant to provisions in Divisions 2 and 3 of Part XV of the SFO, and/or recorded in the register which is required to be kept in accordance with section 336 of the SFO, and/or they have not been directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings:

Long position in the ordinary shares of the Company

Name	Capacity/nature of interest	Number of shares or underlying shares	Approximate percentage of interest in the Company
ChongBo Mary	Beneficial owner	575,625,000	57.56%
Tong Xing Holding	Beneficial owner	106,875,000	10.69%
Ms. Zhang Li	Interest of spouse (Note 1)	106,875,000	10.69%

Other Information

Note:

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

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any other persons (not being Directors or the chief executive of the Company) who had interests and/or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company pursuant to provisions in Divisions 2 and 3 of Part XV of the SFO, and/or recorded in the register which is required to be kept in accordance with section 336 of the SFO, and/or who had been directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") has been adopted pursuant to the written resolutions of the shareholders of the Company passed on 17 June 2016. The purpose of the Scheme is to enable the Company to grant options to reward or provide incentives to selected participants for their contribution to the Company. The Scheme will remain in force for a period of 10 years from the date of adoption of such scheme and will expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company at the general meeting. No share options have been granted pursuant to the Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the six months ended 30 June 2022, had any rights been granted to any Directors or their spouse or children (under 18 years of age) to acquire benefits by means of acquisition of shares or debentures of the Company, or had any such rights been exercised by them, or had the Company, its holding company, any of its subsidiaries and fellow subsidiaries been a party to any arrangements enabling the Directors to acquire such rights from any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules. All members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard of dealings and the code of conduct for the six months ended 30 June 2022 and up to the date of this report.

NON-COMPETITION UNDERTAKINGS

Each of the controlling shareholders of the Company, namely Ms. Li and ChongBo Mary (collectively as the "Controlling Shareholders"), have entered into a deed of non-competition on 17 June 2016 (the "Deed of Non-competition"). The details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus, while the non-competition undertaking has become effective from the date of listing of the shares of the Company on GEM (the "Listing Date"). As far as the Directors are aware, as at the date of this report, the Controlling Shareholders have not breached any terms under the Deed of Non-competition.

COMPETING INTERESTS

As far as the Directors are aware, as at the date of this report, none of the Directors or the Controlling Shareholders have any interests in a business which competes or may compete with the business of the Group or have any other conflict of interest with the Group.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the Company's external auditor; review the financial information of the Company; and oversee the Company's financial reporting, risk management and internal control systems. The Audit Committee comprises of three independent non-executive Directors, namely, Mr. Tang Wai Yau (chairman of the Audit Committee), Mr. Ye Jingzhong and Mr. Pan Qingwei.

The Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2022 and this report with the management and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

Other Information

CORPORATE GOVERNANCE CODE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules. The Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices.

To the best knowledge, information and belief of the Directors, the Company had complied with the code provisions in the CG Code for the six months ended 30 June 2022.

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, as required under the GEM Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement and interim report of the Company (for the six months ended 30 June 2022) are available for viewing on the Stock Exchange’s website at www.hkexnews.hk and on Company’s website at www.goldenclassicbio.com.

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

Hong Kong, 15 August 2022

As at the date of this report, 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. Pan Qingwei and Mr. Tang Wai Yau.