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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 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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.

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

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 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 2023 (the “Year”), together with the comparative audited figures for the year ended 31 December 2022 (the “Last Corresponding Period”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	292,009	270,536
Cost of sales		(182,453)	(168,926)
Gross profit		109,556	101,610
Other income and gain, net	4	4,991	5,233
Selling and distribution costs		(49,830)	(45,878)
Administrative expenses		(56,589)	(47,429)
Finance costs	5	(478)	(245)
Profit before tax		7,650	13,291
Income tax expenses	6	(589)	(1,139)
Profit for the year	7	7,061	12,152
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		1,421	33
Total comprehensive income for the year		8,482	12,185
Earnings per share			
– Basic and diluted (<i>RMB cents</i>)	9	0.71	1.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		148,894	148,363
Right-of-use assets		17,935	20,256
Intangible assets		–	–
Deposits paid for acquisition of property, plant and equipment		2,762	9,717
Deferred tax assets		230	856
		<u>169,821</u>	<u>179,192</u>
Current assets			
Inventories		29,225	35,365
Trade and other receivables	10	64,865	62,802
Financial assets at fair value through profit or loss (“FVTPL”)		1,075	3,124
Pledged bank deposits		5,645	10,653
Cash and cash equivalents		77,932	73,011
		<u>178,742</u>	<u>184,955</u>
Current liabilities			
Trade and other payables	11	49,471	61,615
Dividend payable		117	–
Contract liabilities	11	26,560	20,883
Lease liabilities		1,422	1,861
Tax payable		2,311	1,880
Bank borrowing		5,000	15,000
		<u>84,881</u>	<u>101,239</u>
Net current assets		<u>93,861</u>	<u>83,716</u>
Total assets less current liabilities		<u>263,682</u>	<u>262,908</u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current liabilities		
Deferred tax liabilities	–	1,299
Lease liabilities	–	1,409
	<u>–</u>	<u>2,708</u>
	<u>263,682</u>	<u>260,200</u>
 Capital and reserves		
Share capital	8,606	8,606
Reserves	255,076	251,594
	<u>263,682</u>	<u>260,200</u>
	<u>263,682</u>	<u>260,200</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	8,606	74,386	15	42,898	1,798	132,497	260,200
Profit for the year	-	-	-	-	-	7,061	7,061
Other comprehensive income for the year:							
Exchange difference arising on translation of foreign operations	-	-	-	-	1,421	-	1,421
Total comprehensive income for the year	-	-	-	-	1,421	7,061	8,482
Dividend recognised as distribution	-	(5,000)	-	-	-	-	(5,000)
At 31 December 2023	<u>8,606</u>	<u>69,386</u>	<u>15</u>	<u>42,898</u>	<u>3,219</u>	<u>139,558</u>	<u>263,682</u>
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	8,606	74,386	15	42,898	1,765	120,345	248,015
Profit for the year	-	-	-	-	-	12,152	12,152
Other comprehensive income for the year:							
Exchange difference arising on translation of foreign operations	-	-	-	-	33	-	33
Total comprehensive income for the year	-	-	-	-	33	12,152	12,185
At 31 December 2022	<u>8,606</u>	<u>74,386</u>	<u>15</u>	<u>42,898</u>	<u>1,798</u>	<u>132,497</u>	<u>260,200</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 immediate holding company and the ultimate controlling party of the Company is ChongBo Mary Investment Limited, a company incorporated in the British Virgin Islands (the “BVI”) and Ms. Li Qiuyan (“Ms Li”), an executive director of the Company, respectively.

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 (“HKFRSs”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 January 2023:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

There was no impact on the consolidated statement of financial position because the related deferred tax balances qualify for offsetting under HKAS 12. There was no impact on the opening retained earnings as at 1 January 2022.

Amendments to HKFRSs issued but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
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 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

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

The Directors of the Company anticipate that the application of the 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 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.

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 2023				
Segment revenue from external customers	<u>101,058</u>	<u>17,864</u>	<u>173,087</u>	<u>292,009</u>
Segment profit	<u>37,534</u>	<u>6,126</u>	<u>65,896</u>	<u>109,556</u>
Unallocated income				4,991
Unallocated expenses				(106,419)
Finance costs				<u>(478)</u>
Profit before tax				<u>7,650</u>
For the year ended 31 December 2022				
Segment revenue from external customers	<u>109,637</u>	<u>18,286</u>	<u>142,613</u>	<u>270,536</u>
Segment profit	<u>46,055</u>	<u>6,184</u>	<u>49,371</u>	<u>101,610</u>
Unallocated income				5,233
Unallocated expenses				(93,307)
Finance costs				<u>(245)</u>
Profit before tax				<u>13,291</u>

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

Segment assets and liabilities

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
SEGMENT ASSETS		
Jointly-shared by sales of oral care products, leather care products and household hygiene products segments	196,150	233,452
Unallocated	152,413	130,695
Total assets	348,563	364,147

SEGMENT LIABILITIES

Jointly-shared by sales of oral care products, leather care products and household hygiene products segments	76,753	84,829
Unallocated	8,128	19,118
Total liabilities	84,881	103,947

4. OTHER INCOME AND GAIN, NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Rental income from properties (<i>Note i</i>)	1,953	1,916
Rental income from equipment	310	310
Bank interest income	907	473
Exchange gain	174	431
Government grants (<i>Note ii</i>)	1,104	254
Gain on disposal of property, plant and equipment, net	115	132
Fair value changes on financial assets at FVTPL (<i>Note iii</i>)	(1,839)	226
Reversal of impairment loss in respect of trade receivables	–	56
Others	2,267	1,435
	4,991	5,233

Notes:

- (i) No material outgoings had been incurred for the rental income.
- (ii) These government grants are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development with no unfulfilled conditions.
- (iii) Included realised gain of approximately RMB86,000 upon maturity of the financial assets at FVTPL during the year ended 31 December 2023 (2022: RMB102,000).

5. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank borrowing	406	237
Interest on lease liabilities	72	8
	<u>478</u>	<u>245</u>

6. INCOME TAX EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	1,262	1,343
Deferred tax	(673)	(204)
	<u>589</u>	<u>1,139</u>

7. PROFIT FOR THE YEAR

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Auditor's remuneration	580	604
Depreciation of property, plant and equipment	19,861	13,532
Depreciation of right-of-use assets	2,321	604
Cost of inventories recognised as expenses*	182,453	168,926
Research and development costs recognised as an expense**	10,680	10,781
Reversal of impairment loss in respect of trade receivables	–	(56)
Impairment loss recognised in respect of other receivables and prepayments	–	763
Impairment loss on inventories (included in cost of sales)	2,565	900
Emoluments of directors and chief executive	1,896	1,072
Other staff costs:		
Salaries and allowances	27,190	22,122
Contributions to retirement benefits schemes	3,692	3,850
Total staff costs	<u>32,778</u>	<u>27,044</u>

* Cost of inventories recognised as expenses for the year ended 31 December 2023 included staff costs of approximately RMB9,074,000 (2022: RMB8,516,000) which had been included in the total staff costs disclosed above.

** Research and development costs recognised as an expense for the year ended 31 December 2023 included staff costs of approximately RMB5,489,000 (2022: RMB4,540,000) which were also included in the total staff costs disclosure above.

8. DIVIDEND

Dividend recognised as distribution during the year:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
2022 final dividend of RMB0.5 cents per share	<u>5,000</u>	<u>–</u>

On 18 May 2023, the shareholders of the Company approved to declare a final dividend of RMB0.5 cents per share for 2022. Approximately RMB4,883,000 of the dividend was paid during the year ended 31 December 2023.

Subsequent to 31 December 2023, the directors of Company proposed a final dividend of RMB0.38 cents (2022: RMB0.50 cents) per share, amounting to RMB3,800,000 (2022: RMB5,000,000). The final dividend proposed after the end of the reporting period is subject to approval by shareholders in the forthcoming general meeting of the Company and has not been recognised as a liability as at 31 December 2023.

9. EARNINGS PER SHARE

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

Earnings

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>7,061</u>	<u>12,152</u>

Number of shares

	2023 <i>'000</i>	2022 <i>'000</i>
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 2023 and 2022, basic and diluted earnings per share are the same for both years.

10. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables		
– third parties	37,228	34,949
Less: allowance for impairment of trade receivables	(223)	(223)
	<u>37,005</u>	<u>34,726</u>
Deposits and other receivables	1,960	1,961
Advances to employees	81	765
Loan to an employee	757	303
Less: allowance for impairment of other receivables	(660)	(660)
	<u>2,138</u>	<u>2,369</u>
Prepayments	26,085	26,070
Less: allowance for impairment of prepayments	(363)	(363)
	<u>25,722</u>	<u>25,707</u>
	<u>64,865</u>	<u>62,802</u>

As at 31 December 2023, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB37,228,000 (2022: RMB34,949,000).

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.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–30 days	35,178	31,053
31–60 days	291	1,829
61–90 days	460	262
Over 3 months but less than 6 months	573	734
Over 6 months but less than 1 year	503	848
	<u>37,005</u>	<u>34,726</u>

11. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade and bills payables (<i>Note i</i>)	36,641	46,654
Accruals and other payables (<i>Note ii</i>)	12,037	13,086
Payables for acquisition of property, plant and equipment	793	1,875
	<u>49,471</u>	<u>61,615</u>
Contract liabilities	<u>26,560</u>	<u>20,883</u>

Notes:

- (i) As at 31 December 2023 and 2022, bills payables were secured by trademarks with carrying amount of nil (2022: nil), and pledged bank deposits of RMB5,645,000 (2022: RMB10,653,000).
- (ii) Included in accruals and other payables, there was accrued director's remuneration of approximately RMB41,000 (2022: RMB40,000).

The contract liabilities represent the deposit receipts in advance from customers. The changes in contract liabilities in 2023 were mainly due to the increase in sales orders received before year end.

Revenue recognised during the year ended 31 December 2023 that was included in the contract liabilities as at 1 January 2023 was approximately RMB20,320,000 (2022: RMB29,023,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–30 days	19,749	17,044
31–60 days	5,681	9,573
61–90 days	4,534	4,722
Over 3 months but less than 6 months	5,094	14,596
Over 6 months but less than 1 year	629	366
Over 1 year but less than 2 years	392	94
Over 2 years but less than 5 years	562	259
	<u>36,641</u>	<u>46,654</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 COMMITMENT

As at 31 December 2023 and 2022, the Group has the following capital commitment in respect of acquisition of property, plant and equipment:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Contracted but not provided for	<u>2,300</u>	<u>2,597</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.

For the Year, the Group recorded a turnover of approximately RMB292.0 million, representing an increase by approximately 7.9% as compared to the Last Corresponding Period (2022: approximately RMB270.5 million). The net profit for the Year was approximately RMB7.1 million, representing a decrease by approximately 41.9% as compared to the Last Corresponding Period (2022: approximately RMB12.2 million). Net profit margin for the Year was approximately 2.4%, representing a decrease by approximately 2.1% as compared to the Last Corresponding Period (2022: approximately 4.5%).

The decrease in profit for the Year was mainly attributable to the increase of administrative expenses and fair value loss on financial asset at FVTPL.

FINANCIAL REVIEW

Turnover

Turnover of the Group increased by approximately 7.9% from approximately RMB270.5 million for the Last Corresponding Period to approximately RMB292.0 million for the Year. The increase in the Group's total turnover was mainly attributable to the increased turnover from household hygiene products segment. The turnover from oral care products segment decreased by approximately RMB8.5 million or 7.8% from approximately RMB109.6 million for Last Corresponding Period to approximately RMB101.1 million for the Year. Such decrease was mainly due to the necessary adjustments made to the labelling process of oral care products in order to be prepared for the purpose of complying with relevant requirement under the Administrative Measures on Cosmetics Labelling* (《化妝品標籤管理辦法》), which had already applied to oral care products since 1 December 2023 (the "Labelling Day"). The turnover of oral care products had been increasing since the Labelling Day in 2023.

Turnover from household hygiene products segment recorded an increase of approximately RMB30.5 million or approximately 21.4% from approximately RMB142.6 million for the Last Corresponding Period to approximately RMB173.1 million for the Year. Such increase was mainly due to the sustained promotion for household hygiene products. The Directors are optimistic about the turnover from household hygiene products segment since the Group's kitchen degreaser products have become one of the most popular products in the Northwestern part of China.

The turnover from our leather care products segment decreased by approximately RMB0.4 million or 2.3%, from approximately RMB18.3 million for the Last Corresponding Period to approximately RMB17.9 million for the Year. Such decrease was mainly due to the weak demand for leather care products in 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 2023				For the year ended 31 December 2022			
	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000	Oral care products RMB000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	101,058	17,864	173,087	292,009	109,637	18,286	142,613	270,536
Segment cost	63,524	11,738	107,191	182,453	63,582	12,102	93,242	168,926
Segment profit	37,534	6,126	65,896	109,556	46,055	6,184	49,371	101,610
Unallocated income				4,991				5,233
Unallocated expense				(106,419)				(93,307)
Finance cost				(478)				(245)
Profit before tax				7,650				13,291

Cost of sales

Cost of sales increased from approximately RMB168.9 million for the Last Corresponding Period to approximately RMB182.5 million for the Year, representing an increase of approximately 8.0%. The change was mainly due to the increased quantity of the Group's products.

Gross profit and gross profit margin

Gross profit of the Group increased by approximately 7.8% from approximately RMB101.6 million for the Last Corresponding Period to approximately RMB109.6 million for the Year. The increase was mainly attributable to the increase sales of our household hygiene products.

In addition, our gross profit margin decreased by approximately 0.1% from approximately 37.6% for the Last Corresponding Period to approximately 37.5% for the Year.

Selling and distribution costs

Selling and distribution costs increased by approximately RMB3.9 million or 8.6% from approximately RMB45.9 million for the Last Corresponding Period to approximately RMB49.8 million for the Year. The increase was mainly attributable to the advertising expense in order to promote the products.

Administrative expenses

Administrative expenses incurred for the Year was approximately RMB56.6 million, representing an increase of approximately RMB9.2 million or approximately 19.3%, as compared to approximately RMB47.4 million for Last Corresponding Period. The main reason for the increase was driven by the following reasons:

- (1) management salaries and social security as well as the rental fees; and
- (2) the cost on the renovation of staff restaurant as well as the repair of plant which has a low opportunity to occur in the following few years.

Finance costs

Finance costs incurred for the Year, which mainly represent interest expenses, was approximately RMB0.5 million. It increased by approximately RMB0.2 million as compared to approximately RMB0.2 million in the Last Corresponding Period, representing an increase of approximately 95.1%. The increase was mainly attributable to the decreased income of wealth management products as well the increased average loan rate during the Year, part of loan interest will be likely returned by the local government as technology subsidies.

Income tax expenses

Income tax expenses incurred for the Year were, approximately RMB0.6 million, representing a decrease by approximately RMB0.5 million as compared to RMB1.1 million for the Last Corresponding Period, or a decrease of approximately 48.3%. The reason for this decrease is due to the lower profit in the Year as compared to the Corresponding Period.

Profit for the Year

As a result of the foregoing, our net profit for the Year was approximately RMB7.1 million, which represents a decrease by approximately 41.9% as compared with the profit of approximately RMB12.2 million for the Last Corresponding Period. Net profit margin was approximately 2.4%, representing a decrease by approximately 2.1% as compared to the Last Corresponding Period (2022: approximately 4.5%).

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 2023 was approximately RMB263.7 million (31 December 2022: approximately RMB260.2 million). The Group had current assets of approximately RMB178.7 million (31 December 2022: approximately RMB185.0 million) and current liabilities of approximately RMB84.9 million (31 December 2022: approximately RMB101.2 million). The current ratio was 2.11 and 1.83 as at 31 December 2023 and 2022 respectively.

During the Year, the Group generally financed its operations with internally generated cash flow and credit facilities provided by its principal banker in China. As at 31 December 2023, the Group had outstanding bank borrowings of approximately RMB5.0 million (31 December 2022: approximately RMB15.0 million). These bank loans were secured by certain buildings, prepaid lease payments, intangible asset and right-of-use assets owned by the Group. As at 31 December 2023, the Group maintained bank balances and cash of approximately RMB77.9 million (31 December 2022: approximately RMB73.0 million). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was approximately 0.28 and 0.22 as at 31 December 2023 and 2022, 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 COMMITMENT

The Group had approximately RMB2.3 million of capital commitments as at 31 December 2023 (31 December 2022: approximately RMB2.6 million). The capital commitments mainly arose from the renovation and upgrading costs of the Group's production workshop and warehouse 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 2023.

GEARING RATIO

As at 31 December 2023, the Group's gearing ratio was approximately 32.2% (31 December 2022: approximately 39.9%), based on total debt of approximately RMB84.9 million and total equity of approximately RMB263.7 million. The decrease is mainly attributable to the decrease in total debt 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.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There have been no significant investments, material acquisitions or disposals of subsidiaries, associates or affiliated companies of the Group for the Year.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities (2022: 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 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 2023, the Group had a total of approximately 263 employees (2022: 266). The Group’s staff cost for the Year amounted to approximately RMB32.8 million (2022: approximately RMB27.0 million). The increase was mainly due to the growth of management salaries. The Group’s remuneration policies are inline with the prevailing market practice and are determined on the basis of performance, qualification and experience of the individual employee. The Group recognises the importance of maintaining a good relationship with its employees. The remuneration payable to its employees includes salaries and allowance.

In the PRC, the Group’s employees have participated in various security insurance schemes 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 date of this announcement, there was no material event or change in the operation or financial conditions of the Group.

RETIREMENT BENEFITS PLANS

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.

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 settle 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 the 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. No reversal on impairment loss on trade receivables during the Year under the expected credit loss model ("ECL") (2022: reversal of impairment loss of RMB56,000). 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 12% (2022: approximately 7%) and approximately 26% (2022: approximately 25%) of these receivables are due from the Group's largest customer and the top five customers respectively for the year ended 31 December 2023.

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 of approximately RMB50.9 million are all falling due within the next 12 months from the end of the Year. As at 31 December 2023, the Group had net current assets and net assets of approximately RMB93.9 million and RMB263.7 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 training. 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. For further details, please refer to the Environmental, Social and Governance Report.

CONNECTED TRANSACTIONS

On 25 November 2022, Jiangsu Snow Leopard Daily Chemical Co., Limited* (江蘇雪豹日化有限公司) (“Jiangsu Snow Leopard”), being an indirect wholly-owned subsidiary of the Company, and Shanghai Fumeizi Biotechnology Co., Limited* (上海復美姿生物科技有限公司) (“Shanghai Fumeizi”) entered into a lease agreement (the “Lease Agreement”), pursuant to which Shanghai Fumeizi has agreed to lease to Jiangsu Snow Leopard a property situated in Songjiang District, Shanghai, the PRC, with a total saleable area of approximately 2,908.27 square metres, for a fixed term of two years commencing from 1 December 2022 to 30 November 2024 (both days inclusive). Pursuant to the Lease Agreement, the quarterly rent shall be RMB480,000 (exclusive of utilities charges and management fee), and the property shall be for office use, research and development, e-commerce and warehousing.

As at the date of the Lease Agreement, Shanghai Fumeizi is wholly-owned by Mr. Tong Huaizhou, who is the son of Ms. Li Qiuyan (being an executive Director and the chairman of the Company), a family member of Mr. Tong Xing (being an executive Director and the chief executive of the Company) and a relative of Ms. Du Yongwei (being an executive Director). Accordingly, Shanghai Fumeizi is a connected person of the Company and the transactions contemplated under the Lease Agreement constitute a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. For further details, please refer to the announcement of the Company dated 25 November 2022.

During the Year, save as disclosed above, there were no connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules. Details of significant related party transactions undertaken in the usual course of business for the Year are set out in note 30 to the consolidated financial statements. Save as disclosed above, none of these related party transactions constitute a connected transaction under the GEM Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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. Firstly, comprehensive training was provided to employees to enhance their abilities to cope with customers. Secondly, the production and defective rate of our products were strictly controlled to ensure product quality and prevent product shortages. Thirdly, we encouraged our customers to participate in designing new products. We have maintained years of cooperation with our major suppliers as we strive to grow with our suppliers.

OUTLOOK

The future economy is full of opportunities and challenges. On one hand, China's economy continued to recover in the first two months of 2024, recording strong figures across industrial and services output and a significant recovery in foreign trade and the consumers are more likely to buy high quality goods which we are trying to produce. On the other, there is still uncertainty about the trend of China-US relations and the quantity of products which will be exported to the United States market may be affected due to safeguard measures. In response to the opportunities and challenges, the management of the Company has formulated the following strategies for the Group:

- (1) the Group will expand the cosmetics workshop in order to meet the need of our OEM customers;

- (2) the Group will further expand the market of Company's household hygiene products especially kitchen and toilet cleaning products in Northeastern and Northwestern of China;
- (3) the Group has appointed Mr. Tong Huaizhou who is in charge of new retail department as senior management in order to improve the sales from e-commerce and live streaming business; and
- (4) the Group will launch automotive cleaning products such as glass water to the market.

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 D.3.3 and D.3.7 of the Corporate Governance Code as set out in Appendix C1 to the GEM Listing Rules (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 2023, the Audit Committee is chaired by Mr. Tang Wai Yau (an independent non-executive Director), and consists of two other independent non-executive Directors, namely Mr. Ye Jingzhong and Mr. Pan Qingwei. None of them acted as former partner of the Company's existing auditing firm within 2 years immediately prior to their respective date of appointment. All of them do not have any material interest in any principal business activity of the Group, nor is or was any of them involved in any material business dealing with the Group or with any core connected persons of the Group within 1 year immediately prior to their respective date of appointment.

During the Year, the Audit Committee had reviewed the Group's unaudited quarterly results for the three months ended 31 March 2023, the nine months ended 30 September 2023 and the unaudited interim results for the six months ended 30 June 2023 as well as audited annual results for the year ended 31 December 2023 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 5 meetings during the Year.

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 2023 as set out in this announcement have been agreed by the Group’s auditor 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 THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Year and up to the date of this 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 has recommended the payment of a final dividend of RMB0.38 cents per share for the Year (for the year ended 31 December 2022: 0.5). The recommended final dividend is subject to shareholders’ approval at the forthcoming annual general meeting of the Company. For further details, please refer to the circular in relation to the forthcoming annual general meeting of the Company which shall be published and despatched to the shareholders of the Company in the manner prescribed by the GEM Listing Rules in due course.

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 Shareholders.

During the Year, the Company has complied with all the applicable code provisions in the Code. The principles of the Code have been applied throughout in order to enable the Shareholders to evaluate how the principles have been applied.

Pursuant to the code provision C.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 is clearly established and set out in writing. To ensure a balance of power and authority, the Company has been fully supportive of the division of responsibility between the chairman and the chief executive officer. The roles of the chairman and the chief executive officer have been segregated and performed by Ms. Li Qiuyan and Mr. Tong Xing, respectively. Ms. Li Qiuyan has been primarily responsible for making sure that adequate information about the Company's business is provided to the Board on a timely basis, and that all Directors were properly briefed on issues arising at Board meetings. Apart from providing information, Ms. Li Qiuyan has also been providing leadership for the Board, ensuring that all issues are discussed in a timely manner, and good corporate governance practices and procedures has been established, and encouraging all directors to make full and active contribution to the Board's affairs to ensure it acts in the best interests of the Company. Ms. Li Qiuyan has also been promoting a culture of openness and debate by facilitating effective contribution of all Directors. Also, she has been ensuring that appropriate steps have been taken to provide effective communication with Shareholders and that their views have been communicated to the Board as a whole.

SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge, information and belief 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.

AGM AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on 16 May 2024 (Thursday) at Conference Room, No. 35 Yingbin Road, Xiake Town, Jiangyin City, Jiangsu Province, the PRC. The notice of the AGM shall be published and despatched to the Shareholders in the manner prescribed by the GEM Listing Rules.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 10 May 2024 to Thursday, 16 May 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 9 May 2024. Shareholders whose names appear on the register of members of the Company on Thursday, 16 May 2024 are entitled to attend and vote at the AGM or any adjournment thereof.

For determining the entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 30 May 2024 to Friday, 31 May 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 29 May 2024.

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 websites in due course.

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

Hong Kong, 27 March 2024

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 Listed Company Announcements” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its posting. This announcement will also be posted on the website of the Company at www.goldenclassicbio.com.

** English names are translated for identification purpose only*