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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)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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 the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board of Directors (the “Board”) of China Golden Classic Group Limited is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2019 together with comparative figures for the last corresponding period as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Turnover	4	<b>66,205</b>	52,101	<b>134,944</b>	121,594
Cost of sales		<b>(37,224)</b>	(31,173)	<b>(79,101)</b>	(72,473)
Gross profit		<b>28,981</b>	20,928	<b>55,843</b>	49,121
Other income		<b>942</b>	1,311	<b>2,056</b>	1,412
Selling and distribution costs		<b>(16,122)</b>	(12,490)	<b>(33,342)</b>	(26,840)
Administrative expenses		<b>(13,080)</b>	(9,772)	<b>(24,277)</b>	(20,382)
Finance costs		<b>(714)</b>	(674)	<b>(1,606)</b>	(1,303)
Profit (loss) before tax		<b>7</b>	(697)	<b>(1,326)</b>	2,008
Income tax (expenses) credit	5	<b>(379)</b>	17	<b>(405)</b>	(579)
(Loss) profit for the period	6	<b>(372)</b>	(680)	<b>(1,731)</b>	1,429
Other comprehensive income (expense) for the period					
<b>Item that may be reclassified subsequently to profit or loss:</b>					
Exchange difference arising on translation of foreign operations		<b>111</b>	(313)	<b>56</b>	(316)
Total comprehensive (expense) income for the period attributable to owners of the Company		<b>(261)</b>	(993)	<b>(1,675)</b>	1,113
(Loss) earnings per share					
Basic and diluted (RMB cents)	7	<b>(0.04)</b>	(0.07)	<b>(0.17)</b>	0.14

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	153,767	158,468
Right-of-use assets	9.1	18,314	–
Prepaid lease payments		–	18,017
Deposits paid for acquisition of property, plant and equipment		3,949	3,188
Deferred tax assets		662	608
		<b>176,692</b>	180,281
<b>Current assets</b>			
Inventories		39,329	39,759
Trade and other receivables	10	66,584	80,022
Prepaid lease payments		–	449
Bank balances and cash		66,425	63,281
Tax recoverable		930	637
		<b>173,268</b>	184,148
<b>Current liabilities</b>			
Trade and other payables	11	69,582	72,230
Contract liabilities	11	13,058	23,277
Lease liabilities	9.1	45	–
Bank borrowings	12	60,000	60,000
		<b>142,685</b>	155,507
<b>Net current assets</b>		<b>30,583</b>	28,641
<b>Non-current liabilities</b>			
Lease liabilities		28	–
Deferred tax liabilities		400	400
		<b>428</b>	400
<b>Net assets</b>		<b>206,847</b>	208,522
<b>Capital and reserves</b>			
Share capital	13	8,606	8,606
Reserves		198,241	199,916
		<b>206,847</b>	208,522

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Capital	Share	Capital	PRC	Translation	Retained	Total
	RMB'000	premium	reserve	statutory	reserve	profits	RMB'000
		RMB'000	RMB'000	reserve	RMB'000	RMB'000	
				RMB'000			RMB'000
At 1 January 2019 (audited)	8,606	74,386	15	42,898	2,869	79,748	208,522
Loss for the period	-	-	-	-	-	(1,731)	(1,731)
Other comprehensive income for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	56	-	56
Total comprehensive income (expense) for the period	-	-	-	-	56	(1,731)	(1,675)
At 30 June 2019 (unaudited)	<u>8,606</u>	<u>74,386</u>	<u>15</u>	<u>42,898</u>	<u>2,925</u>	<u>78,017</u>	<u>206,847</u>
At 1 January 2018 (audited)	8,606	74,386	15	42,898	2,929	78,340	207,174
Profit for the period	-	-	-	-	-	1,429	1,429
Other comprehensive expense for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	(316)	-	(316)
Total comprehensive income for the period	-	-	-	-	(316)	1,429	1,113
At 30 June 2018 (unaudited)	<u>8,606</u>	<u>74,386</u>	<u>15</u>	<u>42,898</u>	<u>2,613</u>	<u>79,769</u>	<u>208,287</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from (used in) operating activities	<u>7,039</u>	<u>(37,584)</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(3,257)	(4,189)
Others	<u>290</u>	<u>(4,496)</u>
Net cash used in investing activities	<u>(2,967)</u>	<u>(8,685)</u>
<b>FINANCING ACTIVITIES</b>		
Bank borrowings raised	30,000	–
Repayment of bank borrowings	(30,000)	(2,500)
Settlement of lease liabilities	(25)	–
Others	<u>(918)</u>	<u>(1,241)</u>
Net cash (used in) generated from financing activities	<u>(943)</u>	<u>(3,741)</u>
Net increase (decrease) in cash and cash equivalents	3,129	(50,010)
Cash and cash equivalents at beginning of the period/year	63,281	59,964
Effect of foreign exchange rate changes	<u>15</u>	<u>(316)</u>
Cash and cash equivalents at end of the period/year, representing bank balances and cash	<u><u>66,425</u></u>	<u><u>9,638</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

China Golden Classic Group Limited (the “Company”) is a limited liability company incorporated in 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 2019 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 (“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 2018. The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements, 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 2018.

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 (“PRC”), the Directors of the Company consider that it is appropriate to present the Financial Information in RMB.

## 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 2018, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (“new and revised HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2019.

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

The impact of the adoption of HKFRS 16 Leases has been summarised below. The application of other new and revised 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 these condensed consolidated interim financial statements.

## HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has elected to adopt the modified retrospective approach for HKFRS 16 Leases with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

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

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

### *The Group as lessee*

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

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

### *The Group as lessor*

The Group leases some of the properties and equipment. The accounting policies applicable to the Group as lessor are not different from those under HKAS 17.

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

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

Differences between operating lease commitment as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	<i>RMB'000</i>
Operating lease commitment disclosed as at 31 December 2018	33
Less: Short-term leases and other leases with the remaining lease term ending on or before 31 December 2019	(11)
Lease liabilities recognised as at 1 January 2019	22

### 3. CHANGE IN ACCOUNTING POLICIES

#### Leases

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

#### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### *Lease liabilities*

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.



Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

#### *Right-of-use assets*

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Property, plant and equipment” policy as stated in the Group’s annual consolidated financial statements for the year ended 31 December 2018.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Administrative expenses” in the condensed consolidated statement of profit or loss and other comprehensive income.

#### *Lease modification*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

#### 4. 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 turnover represents revenue derived from the sales of oral care, leather care, household hygiene products.

During the six months ended 31 June 2019, all revenue were recognised at a point in time upon delivery.

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

*For the six months ended 30 June 2019 (unaudited)*

	Oral care products <i>RMB’000</i>	Leather care products <i>RMB’000</i>	Household hygiene products <i>RMB’000</i>	Total <i>RMB’000</i>
Segment revenue	<u>81,186</u>	<u>9,246</u>	<u>44,512</u>	<u>134,944</u>
Segment profit	<u>37,438</u>	<u>2,039</u>	<u>16,366</u>	55,843
Unallocated income				2,056
Unallocated expenses				(57,619)
Finance costs				<u>(1,606)</u>
Consolidated loss before tax				<u>(1,326)</u>

*For the six months ended 30 June 2018 (unaudited)*

	Oral care products <i>RMB'000</i>	Leather care products <i>RMB'000</i>	Household hygiene products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>68,353</u>	<u>13,859</u>	<u>39,382</u>	<u>121,594</u>
Segment profit	<u>32,484</u>	<u>4,113</u>	<u>12,524</u>	49,121
Unallocated income				1,412
Unallocated expenses				(47,222)
Finance costs				<u>(1,303)</u>
Consolidated profit before tax				<u>2,008</u>

*For the three months ended 30 June 2019 (unaudited)*

	Oral care products <i>RMB'000</i>	Leather care products <i>RMB'000</i>	Household hygiene products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>42,971</u>	<u>2,482</u>	<u>20,752</u>	<u>66,205</u>
Segment profit	<u>20,317</u>	<u>618</u>	<u>8,046</u>	28,981
Unallocated income				942
Unallocated expenses				(29,202)
Finance costs				<u>(714)</u>
Consolidated profit before tax				<u>7</u>

*For the three months ended 30 June 2018 (unaudited)*

	Oral care products <i>RMB'000</i>	Leather care products <i>RMB'000</i>	Household hygiene products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>32,559</u>	<u>3,004</u>	<u>16,538</u>	<u>52,101</u>
Segment profit	<u>15,084</u>	<u>1,109</u>	<u>4,735</u>	20,928
Unallocated income				1,311
Unallocated expenses				(22,262)
Finance costs				<u>(674)</u>
Consolidated loss before tax				<u>(697)</u>

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:

*Segments assets*

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products	<b>279,862</b>	299,771
Unallocated	<b>70,098</b>	64,658
	<hr/>	<hr/>
Total assets	<b>349,960</b>	364,429
	<hr/> <hr/>	<hr/> <hr/>

*Segments liabilities*

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products	<b>82,706</b>	95,475
Unallocated	<b>60,407</b>	60,432
	<hr/>	<hr/>
Total liabilities	<b>143,113</b>	155,907
	<hr/> <hr/>	<hr/> <hr/>

Upon application of HKFRS 16, the Group's right-of-use assets and lease liabilities are now included in the measure of segment assets and segment liabilities respectively at 30 June 2019. In respect of segment result, there is a change of measurement of segment result due to recognition of depreciation of right-of-use assets, interest expense on lease liabilities. Comparative information is not restated.

## 5. 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	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Current tax</b>				
PRC Enterprise Income Tax	(441)	17	(459)	(579)
<b>Deferred tax</b>	<u>62</u>	<u>–</u>	<u>54</u>	<u>–</u>
	<u>(379)</u>	<u>17</u>	<u>(405)</u>	<u>(579)</u>

- (a) 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.
- (b) No provision for Hong Kong Profits Tax had been made for the six months ended 30 June 2019 (2018: nil) as the Group did not have any assessable profits arising in Hong Kong during both periods.
- (c) 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%.
- (d) One of the Group’s subsidiaries registered in the PRC is recognised as a High and New-technology Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 15% for the six months ended 30 June 2019 (2018: 15%).
- (e) 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 10% for the six months ended 30 June 2019 (2018: 25%).

## 6. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	1	–	1	–
Depreciation of right-of-use assets	225	–	250	–
Depreciation of property, plant and equipment	3,904	4,460	7,958	5,347
Amortisation of prepaid lease payments	–	112	–	225
Cost of inventories recognised as expenses	37,224	31,173	79,101	72,473
Bad debt written-off	1,840	–	1,840	–
	<u>1,840</u>	<u>–</u>	<u>1,840</u>	<u>–</u>

## 7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings 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	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) profit attributable to owners of the Company	<u>(372)</u>	<u>(680)</u>	<u>(1,731)</u>	<u>1,429</u>

### Number of shares

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

*Note:* No diluted (loss) earnings per share is presented for the six months ended 30 June 2019 and for the corresponding periods in 2018 as the Group had no potential ordinary shares outstanding.

## 8. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2019 (2018: nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, additions to the Group's property, plant and equipment were approximately RMB3,257,000 (31 December 2018: RMB4,189,000).

### 9.1 Right-of-use assets and lease liabilities

#### (i) *Right-of-use assets*

	<b>Leasehold land</b>	<b>Lease on premises</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Adjustment on initial application of HKFRS 16 at 1 January 2019	18,466	22	18,488
Addition	–	76	76
Depreciation charge for the period	(225)	(25)	(250)
Net book value at 30 June 2019	<u>18,241</u>	<u>73</u>	<u>18,314</u>

Upon adoption of HKFRS 16, on 1 January 2019, the Group recognised right-of-use assets of RMB18,466,000 and RMB22,000 in respect of the leased lands and lease on premises. As at 30 June 2019, the carrying amounts of right-of-use assets were RMB18,241,000 and RMB73,000 in respect of the leased lands and lease on premises.

#### (ii) *Lease liabilities*

Upon adoption of HKFRS 16, on 1 January 2019, the Group recognised lease liabilities of RMB22,000. As at 30 June 2019, the carrying amount of lease liabilities was RMB73,000.

#### (iii) *Amounts recognised in profit or loss*

	<b>Six months ended 30 June 2019</b>
	<i>RMB'000</i>
Depreciation expense on right-of-use assets	250
Interest expense on lease liabilities	<u>1</u>

## 10. TRADE AND OTHER RECEIVABLES

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Trade and bills receivables	35,584	44,159
Less: allowance for impairment of trade receivables	<u>(826)</u>	<u>(470)</u>
	<u>34,758</u>	<u>43,689</u>
Deposits and other receivables	2,419	2,001
Advances to employees	1,352	903
Advances to independent third parties	<u>1,119</u>	<u>2,040</u>
	<u>4,890</u>	<u>4,944</u>
Prepayments	27,196	31,649
Less: allowance for impairment of prepayments	<u>(260)</u>	<u>(260)</u>
	<u>26,936</u>	<u>31,389</u>
	<u><b>66,584</b></u>	<u><b>80,022</b></u>

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.

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
0 – 30 days	26,283	31,510
31 – 60 days	2,211	2,518
61 – 90 days	2,189	3,087
Over 3 months but less than 6 months	3,504	1,955
Over 6 months but less than 1 year	340	906
Over 1 year	<u>231</u>	<u>3,713</u>
	<u><b>34,758</b></u>	<u><b>43,689</b></u>



Movement in the impairment on trade receivables:

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
At beginning of period/year	470	1,054
Written off as uncollectible	–	(877)
Impairment loss for the period/year	<u>356</u>	<u>293</u>
At end of period/year	<u><u>826</u></u>	<u><u>470</u></u>

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

## 11. TRADE AND OTHER PAYABLES

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Trade and bills payables	59,773	55,472
Accruals and other payables	9,044	15,084
Payables for property, plant and equipment	<u>765</u>	<u>1,674</u>
	<u><u>69,582</u></u>	<u><u>72,230</u></u>
Contract liabilities	<u><u>13,058</u></u>	<u><u>23,277</u></u>

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

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
0 – 30 days	23,123	37,969
31 – 60 days	11,669	10,665
61 – 90 days	3,732	2,961
Over 3 months but less than 6 months	19,992	2,213
Over 6 months but less than 1 year	657	1,041
Over 1 year but less than 2 years	313	407
Over 2 years but less than 5 years	<u>287</u>	<u>216</u>
	<u><u>59,773</u></u>	<u><u>55,472</u></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. BANK AND OTHER BORROWINGS

The Group obtained new and repaid bank borrowings of RMB30,000,000 (31 December 2018: nil) and RMB30,000,000 (31 December 2018: RMB2,500,000) respectively during the six months ended 30 June 2019.

## 13. SHARE CAPITAL

	Number of shares '000	Nominal value of ordinary shares HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 1 January 2018 (audited), 31 December 2018 (audited), 1 January 2019 (audited) and 30 June 2019 (unaudited)	2,000,000	20,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 1 January 2018 (audited), 31 December 2018 (audited), 1 January 2019 (audited) and 30 June 2019 (unaudited)	1,000,000	10,000
Equivalent to RMB'000		8,606

## 14. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

### (a) Commitment under operating lease

#### *The Group as lessor*

The Group had contracted with tenants under operating lease arrangement, with leases negotiated for terms ranging from 1 to 10 years (31 December 2018: 1 to 10 years). At 30 June 2019 and 31 December 2018, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within one year	1,061	586
In the second to fifth years inclusive	2,581	2,343
Over five years	1,904	2,197
	<u>5,546</u>	<u>5,126</u>

**(b) Capital commitments**

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

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Contracted but not provided for	<b>1,373</b>	4,838

**15. RELATED PARTY TRANSACTIONS**

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following transactions with its related parties:

- (a) During the six months ended 30 June 2019, the Group rented an office premises from Ms. Li Qiuyan, a director of the Company, with rental expenses of nil (2018: nil).
- (b) During the six months ended 30 June 2019, the Group incurred advertising expenses payable to a company controlled by the spouse of Mr. Tong Xing, a director of the Company, of approximately RMB117,000 (2018: RMB207,000).

**(c) Key management compensation**

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

	<b>30 June 2019 RMB'000 (Unaudited)</b>	30 June 2018 RMB'000 (Unaudited)
Salaries and other benefits in kind	<b>714</b>	891
Retirement benefits scheme contributions	<b>72</b>	79
	<b>786</b>	970

## **BUSINESS REVIEW AND PROSPECTS**

### **BUSINESS REVIEW**

For the six months ended 30 June 2019 (the “Period”), the Group recorded a turnover of approximately RMB134.9 million, increased by approximately 10.9% as compared to the six months ended 30 June 2018 (the “Last Corresponding Period”). The Group recorded a net loss of approximately RMB1.7 million in the Period compared to the net profit of RMB1.4 million in Last Corresponding Period, representing a decrease of 221.1%. During the Period, the Group’s net loss margin was approximately 1.3% as compared to the net profit margin of approximately 1.2% in the Last Corresponding Period, representing a drop of approximately 2.5%. On the other hand, the Group’s overall gross profit margin reached approximately 41.4% in the Period, representing a slight increase of approximately 1.0% from approximately 40.4% in the Last Corresponding Period. The growth in gross profit margin was primarily due to the ever increasing proportion of oral care products, whose gross profit margin is higher than the products in other segments.

Suffering from the continuously shrinking market demand for leather care products, our leather care segment products only contributed less than 7% of the Group’s total revenue, representing a gross profit margin of 22% whereas the gross profit margin of leather care products in the Last Corresponding Period was 30%. The declined profit margin adversely affected the Group’s overall financial performance, and was one of the main contributing factors which gave rise to the loss position in the Period. The increased costs in the development of new products and the strengthened promotion to face the fierce competition also contribute to such loss.

On the other hand, during the Period, the turnover of oral care and household hygiene products saw a substantial enhancement of approximately 18.8% and 13.0% respectively compared to the Last Corresponding Period. In particular, it is worth noting that the growth rate of oral care products reached 32.0% and the gross profit increased to 47% in the second quarter of 2019. To maintain the growth rate of the oral care products, newly developed oral care products will be launched in the near future, which will be a favourable factor to enhance the turnover of the Group. The Directors believe that the Group’s focused effort in promoting and developing oral care and household hygiene products will be beneficial to the shareholders.

### **PROSPECTS AND OUTLOOKS**

As the consumers’ awareness of oral care is increasing, the demand of quality oral care products is constantly growing. The Directors believe that the biotechnology adopted by the Group will allow its products to meet such demand, and that the advanced production facilities which the Group has put into use recently will achieve safety compliance and create greater economic value.

With heightened tension between China and the United States, uncertainties over the market has increased with the looming trade war, which could potentially affect the consumers' confidence and market performance. The uncertainties arising from the tension has also increased the volatility of RMB, which will likely have a negative impact on the future economic growth of China. In the context of the manufacturing business, the uncertainties could potentially affect the consumers' buying decisions and result in a decrease in sales. As such, the Chinese economy is predicted to be filled with challenges in the second half of 2019.

Having said that, since online shops have been an important channel for the Group to promote and distribute household chemical products, the Directors will continue to develop the oral care industry and expand the Group's online and offline presence with the aim to create Shareholders' value.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS OF OPERATION**

The Group's turnover for the Period was approximately RMB134.9 million, representing a rise of 10.9% as compared to the Last Corresponding Period at an approximated RMB121.6 million. On the other hand, the Group incurred a net loss of approximately RMB1.7 million for the Period, contrasting with a net profit of approximately RMB1.4 million for the Last Corresponding Period. The basic loss per share of the Group was RMB0.17 cents for the Period compared to the basic earnings per share of RMB0.14 cents for the Last Corresponding Period.

#### **Turnover**

The Group recorded a turnover of approximately RMB134.9 million for the Period, indicating a growth of 10.9% as compared to RMB121.6 million for the Last Corresponding Period. The higher turnover was mainly due to the increased turnover (by approximately RMB12.8 million or 18.8%) of oral care products from approximately RMB68.4 million for the Last Corresponding Period to RMB81.2 million for the Period. The turnover of household hygiene products also improved by approximately RMB5.1 million or 13.0% between the Period (RMB44.5 million) and the Last Corresponding Period (RMB39.4 million). The higher turnover of household hygiene products and oral care products was mainly attributable to the Group attaching importance and making great efforts to develop the two aforementioned segments.

The turnover of leather care products was reduced by approximately RMB4.7 million or 33.3%, from approximately RMB13.9 million for the Last Corresponding Period to approximately RMB9.2 million for the Period. The decline was mainly due to the lower usage of leather care products by the public.

## **Cost of sales**

The Group's cost of sales rose from approximately RMB72.5 million for the Last Corresponding Period to approximately RMB79.1 million for the Period, signifying an increase of approximately RMB6.6 million or 9.1%. The heightened sales volume of commodities was the primary reason for such increase.

## **Gross profit and gross profit margin**

The Group's gross profit experienced an increase of approximately RMB6.7 million or 13.7% between the Last Corresponding Period and the Period, valuing at approximately RMB49.1 million and RMB55.8 million respectively. Similarly, the Group's gross profit margin for the Period (41.4%) showed an improvement of 1% as compared to the Last Corresponding Period (40.4%), attributed by the ever increasing sales of oral care products where its gross profit margin has surpassed that of the products in other segments.

## **Selling and distribution costs**

The selling and distribution costs increased by RMB6.6 million or approximately 24.6%, signified at approximately RMB33.4 million for the Period compared to approximately RMB26.8 million for the Last Corresponding Period. This data is reflected by the growth in the costs of sales personnel in order to face the fierce demand of such personnel, and the increase of staff costs and advertising and promotion costs during the first half of 2019.

## **Administrative expenses**

For the Period, approximately RMB24.3 million of administrative expenses were incurred as compared to RMB20.4 million for the Last Corresponding Period. This figure amounted to a rise of approximately RMB3.9 million or 19.1%, which was mainly due to the increased staff costs, legal and professional fees, depreciation and amortization of assets, as well as research and development expenses.

## **Finance costs**

The interest expenses incurred by the Group for the Period was approximately RMB1.6 million, showing an increase of approximately RMB0.3 million or 23.2% as compared to approximately RMB1.3 million for the Last Corresponding Period. This was mainly due to the increased average loan amounts for the Period as compared to the Last Corresponding Period.

## **Profit for the Period**

As a result of the foregoing, we incurred a net loss of RMB1.7 million for the Period, representing a difference of RMB3.1 million or 221.1% as compared to the net profit of approximately RMB1.4 million for the Last Corresponding Period. Meanwhile, the net loss margin for Period was approximately 1.3%, representing a change of approximately 2.5% as compared to the net profit margin of 1.2% 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 in the Group on 30 June 2019 was approximately RMB206.8 million (RMB208.5 million on 31 December 2018). The Group owned current assets of approximately RMB173.3 million (RMB184.2 million on 31 December 2018) and current liabilities of approximately RMB142.7 million (RMB155.5 million on 31 December 2018). The current ratio was 1.21 on 30 June 2019 and 1.18 on 31 December 2018, respectively.

During the Period, the Group generally financed its operations with internally generated cash flow and credit facilities provided by its principal banks in China. As at 30 June 2019, the Group had outstanding bank borrowings of approximately RMB60.0 million (RMB39.2 million on 30 June 2018). These bank borrowings were secured by certain properties and prepaid lease payments owned by the Group. As at 30 June 2019, the Group maintained bank balances and cash of approximately RMB66.4 million (RMB63.3 million on 30 June 2018). The Group's net cash-to-equity ratio (total bank and other borrowings net of cash and cash equivalents over shareholders' equity) was 0.03 and 0.02 as at 30 June 2019 and 31 December 2018, respectively. The Group's gearing ratio (total bank and other borrowings over shareholders' equity) was 29% and 28.8% as at 30 June 2019 and 31 December 2018 respectively.

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

## **CAPITAL COMMITMENTS**

Save as disclosed above, as at 30 June 2019, the Group had no material capital commitments.

## **CHARGE OVER ASSETS OF THE GROUP**

As at 30 June 2019, the Group had prepaid lease payments and charges over the Group's buildings at approximately RMB6.4 million (approximately RMB6.5 million on 31 December 2018) and RMB14.1 million (approximately RMB14.7 million on 31 December 2018) respectively. These prepaid lease payments and charges were secured by general banking facilities granted to the Group.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

There has been no material acquisitions or disposals of subsidiaries or affiliated companies of the Group nor has there been significant investments held by the Group for the Period. Save as disclosed in the Prospectus, as at 30 June 2019, there was no plan for material investments or capital assets.

## **CONTINGENT LIABILITIES**

As at 30 June 2019, the Group had no material contingent liabilities.

## **EMPLOYEES**

As at 30 June 2019, the Group had 296 full-time employees. The Group had maintained good relationship with its employees, where it has been 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.



## 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 2019, 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 Rule 5.46 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:

- 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.
- 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 2019, 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 ( <i>Note 1</i> )	106,875,000	10.69%

*Note:*

- 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 2019, the Directors are not aware of any other persons 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 2019, 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 six months ended 30 June 2019 and up to the date of this announcement.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct for Directors' securities transactions with 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 2019 and up to the date of this announcement.

## **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 announcement, 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 announcement, 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.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As at the date of this announcement, save and except for the compliance adviser agreement entered into between the Company and First Shanghai Capital Limited (the “Compliance Advisor”) on 28 August 2015, neither the Compliance Advisor nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group according to Rule 6A.32 of the GEM Listing Rules and Guidance.

## **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. Qian Zaiyang.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2019 and this announcement 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.

## **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 of the Directors, the Company had complied with the code provisions in the CG Code for the six months ended 30 June 2019.

## **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 2019) are available for viewing on the Stock Exchange website at [www.hkexnews.hk](http://www.hkexnews.hk) and on Company website at [www.goldenclassicbio.com](http://www.goldenclassicbio.com).

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

Hong Kong, 14 August 2019

*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. Qian Zaiyang and Mr. Tang Waiyau.*