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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 2021

CHARACTERISTICS OF THE 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.

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

ANNUAL RESULTS

The board of directors (the “Board”) of the Company announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 (the “Year”), together with the comparative audited figures for the year ended 31 December 2020 (the “Last Corresponding Period”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	295,699	305,794
Cost of sales		(180,012)	(173,537)
Gross profit		115,687	132,257
Other income and gain	4	4,989	7,105
Selling and distribution costs		(58,871)	(64,270)
Administrative expenses		(46,296)	(49,735)
Finance costs	5	(760)	(2,621)
Profit before tax		14,749	22,736
Income tax expenses	6	(1,904)	(4,578)
Profit for the year	7	12,845	18,158
Other comprehensive expense for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(346)	(779)
Total comprehensive income for the year		12,499	17,379
Earnings per share			
– Basic and diluted (<i>RMB cents</i>)	9	1.28	1.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		146,720	147,161
Right-of-use assets		17,118	17,586
Intangible assets		–	–
Deposits paid for acquisition of property, plant and equipment		8,137	4,732
Deferred tax assets		606	606
		<u>172,581</u>	<u>170,085</u>
Current assets			
Inventories		32,560	33,622
Trade and other receivables	10	74,583	69,813
Financial asset at fair value through profit or loss (“FVTPL”)		4,695	10,940
Bank balances and cash		68,596	74,660
		<u>180,434</u>	<u>189,035</u>
Current liabilities			
Trade and other payables	11	56,865	64,449
Contract liabilities	11	29,982	34,460
Lease liabilities		–	17
Tax payable		1,900	3,295
Bank borrowings		15,000	20,000
		<u>103,747</u>	<u>122,221</u>
Net current assets		<u>76,687</u>	<u>66,814</u>
Non-current liability			
Deferred tax liabilities		1,253	1,383
		<u>248,015</u>	<u>235,516</u>
Capital and reserves			
Share capital		8,606	8,606
Reserves		239,409	226,910
		<u>248,015</u>	<u>235,516</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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 2021	8,606	74,386	15	42,898	2,111	107,500	235,516
Profit for the year	-	-	-	-	-	12,845	12,845
Other comprehensive expenses for the year:							
Exchange difference arising on translation of foreign operations	-	-	-	-	(346)	-	(346)
Total comprehensive (expense) income for the year	-	-	-	-	(346)	12,845	12,499
At 31 December 2021	<u>8,606</u>	<u>74,386</u>	<u>15</u>	<u>42,898</u>	<u>1,765</u>	<u>120,345</u>	<u>248,015</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 2020	8,606	74,386	15	42,898	2,890	89,342	218,137
Profit for the year	-	-	-	-	-	18,158	18,158
Other comprehensive expense for the year:							
Exchange difference arising on translation of foreign operations	-	-	-	-	(779)	-	(779)
Total comprehensive (expense) income for the year	-	-	-	-	(779)	18,158	17,379
At 31 December 2020	<u>8,606</u>	<u>74,386</u>	<u>15</u>	<u>42,898</u>	<u>2,111</u>	<u>107,500</u>	<u>235,516</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

China Golden Classic Group Limited (the “Company”) is an investment holding company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the manufacture and trading of oral care, leather care and household hygiene products.

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

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

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

In the current year, the Group has applied, for its first time, the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are effective for the Group’s financial year beginning 1 January 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ³
Amendments to HKFRS 9 and HKFRS 17	Comparative Information ³
Amendments to HKFRS 3	Reference to Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 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 ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle ²

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

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

3. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the 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 2021				
Segment revenue from external customers	<u>122,201</u>	<u>22,013</u>	<u>151,485</u>	<u>295,699</u>
Segment profit	<u>52,834</u>	<u>5,815</u>	<u>57,038</u>	<u>115,687</u>
Unallocated income				4,989
Unallocated expenses				(105,167)
Finance costs				(760)
Profit before tax				<u>14,749</u>
For the year ended 31 December 2020				
Segment revenue from external customers	<u>154,555</u>	<u>21,289</u>	<u>129,950</u>	<u>305,794</u>
Segment profit	<u>73,175</u>	<u>4,555</u>	<u>53,819</u>	<u>131,549</u>
Unallocated income				7,105
Unallocated expenses				(113,297)
Finance costs				(2,621)
Profit before tax				<u>22,736</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. 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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
SEGMENT ASSETS		
Jointly-shared by sales of oral care products, leather care products and household hygiene products segments	217,469	207,961
Unallocated	<u>135,546</u>	<u>151,159</u>
Total assets	<u>353,015</u>	<u>359,120</u>
SEGMENT LIABILITIES		
Jointly-shared by sales of oral care products, leather care products and household hygiene products segments	86,771	98,850
Unallocated	<u>18,229</u>	<u>24,754</u>
Total liabilities	<u>105,000</u>	<u>123,604</u>

4. OTHER INCOME AND GAIN

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Rental income from properties (<i>Note i</i>)	1,167	1,242
Rental income from equipment	310	310
Bank interest income	353	347
Government grants (<i>Note ii</i>)	1,315	438
Fair value changes on financial assets at FVTPL (<i>Note iii</i>)	238	2,560
Others	<u>1,606</u>	<u>2,208</u>
	<u>4,989</u>	<u>7,105</u>

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 RMB43,000 upon maturity of the financial assets at FVTPL during the year ended 31 December 2021 (2020: RMB1,620,000).

5. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank borrowings	760	2,618
Interest on lease liabilities	–	3
	<u>760</u>	<u>2,621</u>

6. INCOME TAX EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	2,034	3,161
Withholding tax on dividend	–	350
	<u>2,034</u>	<u>3,511</u>
Deferred tax	<u>(130)</u>	<u>1,067</u>
	<u>1,904</u>	<u>4,578</u>

7. PROFIT FOR THE YEAR

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Auditor's remuneration	604	631
Depreciation of property, plant and equipment	16,562	17,030
Depreciation of right-of-use assets	468	517
Cost of inventories recognised as expenses*	180,012	173,537
Exchange losses, net	763	1,944
Research and development costs recognised as an expense**	9,426	9,566
Reversal of impairment loss in respect of trade receivables	(2)	(91)
Loss on disposal of property, plant and equipment	–	24
Impairment loss on property, plant and equipment (included in administrative expenses)	–	708
Emoluments of directors and chief executive	1,066	1,118
Other staff costs:		
Salaries and allowances	23,133	25,099
Contributions to retirement benefits schemes	3,080	1,863
	<u>27,279</u>	<u>28,080</u>

* Cost of inventories recognised as expenses for the year ended 31 December 2021 included staff costs of approximately RMB9,039,000 (2020: RMB8,419,000) 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 2021 included staff costs of approximately RMB4,800,000 (2020: RMB4,563,000) which were also included in the total staff costs disclosure above.

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

9. EARNINGS PER SHARE

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

Earnings

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>12,845</u>	<u>18,158</u>

Number of shares

	2021 <i>'000</i>	2020 <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 2021 and 2020, basic and diluted earnings per share are the same for both years.

10. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	48,448	42,610
Less: allowance for impairment of trade receivables	<u>(279)</u>	<u>(458)</u>
	<u>48,169</u>	<u>42,152</u>
Deposits and other receivables	1,522	1,471
Advances to employees	149	703
Loan to an employee	<u>–</u>	<u>1,291</u>
	<u>1,671</u>	<u>3,465</u>
Prepayments	24,743	24,456
Less: allowance for impairment of prepayments	<u>–</u>	<u>(260)</u>
	<u>24,743</u>	<u>24,196</u>
	<u>74,583</u>	<u>69,813</u>

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–30 days	40,735	39,746
31–60 days	4,328	1,113
61–90 days	663	458
Over 3 months but less than 6 months	1,555	447
Over 6 months but less than 1 year	<u>888</u>	<u>388</u>
	<u>48,169</u>	<u>42,152</u>

11. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade and bills payables	42,162	47,682
Accruals and other payables	14,260	15,896
Payables for acquisition of property, plant and equipment	443	871
	<u>56,865</u>	<u>64,449</u>
Contract liabilities	<u>29,982</u>	<u>34,460</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–30 days	15,904	38,831
31–60 days	5,354	4,568
61–90 days	8,114	2,065
Over 3 months but less than 6 months	11,236	1,096
Over 6 months but less than 1 year	689	387
Over 1 year but less than 2 years	302	316
Over 2 years but less than 5 years	563	419
	<u>42,162</u>	<u>47,682</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 2021 and 2020, the Group has the following capital commitment in respect of acquisition of property, plant and equipment:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contracted but not provided for	<u>3,705</u>	<u>4,382</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Business Review

For the Year, the Group recorded a turnover of approximately RMB295.7 million, which slightly decreased by approximately 3.3% as compared to the Last Corresponding Period. The net profit for the Year was approximately RMB12.8 million, which decreased by approximately 29.3% compared to the Last Corresponding Period. Net profit margin for the Year was approximately 4.3%, representing a decrease of approximately 1.6% as compared to the Last Corresponding Period (2020: 5.9%).

The decrease in profit for the Year was mainly attributable to (i) the shrank sales of oral care products; (ii) the rise in the price of raw materials and packaging materials.

FINANCIAL REVIEW

Turnover

Turnover of the Group slightly decreased by approximately 3.3% from approximately RMB305.8 million for the Last Corresponding Period to approximately RMB295.7 million for the Year. The decrease in the Group's total turnover was mainly attributable to the decreased turnover of oral care products. The turnover of oral care products decreased by approximately RMB32.4 million or 21.0% from approximately RMB154.6 million for Last Corresponding Period to approximately RMB122.2 million for the Year. Such decrease was mainly due to (i) the reduced customer traffic in China's physical retail stores during the Year, being the main channel for selling our oral care products; and (ii) the weak online traffic on retail platforms of oral care products.

On the other hand, the turnover of household hygiene products recorded an increase of approximately RMB21.5 million or 16.6% from approximately RMB130.0 million for the year ended 31 December 2020 to approximately RMB151.5 million for the Year. Such increase was mainly due to (i) the sustained enhanced promotion of household hygiene products; (ii) the efforts of the company to crack down on the manufacturing of counterfeit goods; (iii) the new household hygiene products workshop which had been partially put into use in the third quarter of the year provided more products to the market. We are pleased to announce that the Group's kitchen degreaser products have become one of most famous products in the Northwestern part of China and has proven to be very popular across China. With the launch of more competitive products in the near future, the turnover of household hygiene products is projected to be optimistic.

The turnover of our leather care products increased by approximately RMB0.7 million or 3.4%, from approximately RMB21.3 million for the year ended 31 December 2020 to approximately RMB22.0 million for the Year. Such increase was mainly due to the enhanced promotion of the products.

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 2021				For the year ended 31 December 2020			
	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	122,201	22,013	151,485	295,699	154,555	21,289	129,950	305,794
Segment cost	69,367	16,198	94,447	180,012	81,380	16,734	76,131	174,245
Segment profit	52,834	5,815	57,038	115,687	73,175	4,555	53,819	131,549

Cost of sales

Cost of sales increased from approximately RMB173.5 million for the Last Corresponding Period to approximately RMB180.0 million for the Year, showing an increase of approximately 3.7%. The change was mainly due to the rise in the price of raw materials and packaging materials.

Gross profit and gross profit margin

Gross profit of the Group decreased by approximately 12.5% from approximately RMB132.3 million for the Last Corresponding Period to approximately RMB115.7 million for the Year. The decrease was mainly attributable to (i) the shrunk sales of oral care products which has a higher profit margin than the other two segments' products; and (ii) the rise in the price of raw materials and packaging materials.

In addition, our gross profit margin decreased by 4.2% from approximately 43.3% for the Last Corresponding Period to approximately 39.1% for the Year.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB5.4 million or 8.4% from approximately RMB64.3 million for the Last Corresponding Period to approximately RMB58.9 million for the Year. The decrease was mainly attributable to the reduced engagement of temporary sales personnel and decreased travelling costs.

Administrative expenses

Administrative expenses incurred for the Year was approximately RMB46.3 million, representing a decrease of approximately RMB3.4 million or approximately 6.9%, as compared to approximately RMB49.7 million for Last Corresponding Period. The main reason for the reduction was driven by the decrease in depreciation for property, plant and equipment and repair and maintenance fees.

Finance costs

Finance costs incurred for the Year which mainly represent interest expenses, was approximately RMB0.8 million. It decreased by approximately RMB1.9 million as compared to RMB2.6 million in the Last Corresponding Period, representing a decrease of approximately 71.0%. The reduction was mainly attributable to the decrease in the average balance of the interest-bearing loans during the Year.

Income tax expenses

Income tax expenses incurred for the Year, approximately RMB1.9 million, decreased by approximately RMB2.7 million as compared to RMB4.6 million for the Last Corresponding Period, representing a sharp decrease of approximately 58.4%. The major reason for this decrease is due to the Group being re-accredited as a high-tech enterprise during the Year. The Group will subsequently also enjoy a preferential tax rate in the next following two years.

Profit for the Year

As a result of the foregoing, our net profit for the Year was approximately RMB12.8 million, which represents a decrease of approximately 29.3% as compared with the profit of approximately RMB18.2 million for the Last Corresponding Period. Net profit margin was approximately 4.3%, representing a decrease of approximately 1.6% as compared to the Last Corresponding Period (2020: approximately 5.9%).

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 2021 was approximately RMB248.0 million (31 December 2020: RMB235.5 million). The Group had current assets of approximately RMB180.4 million (31 December 2020: RMB189.0 million) and current liabilities of approximately RMB103.7 million (31 December 2020: RMB122.2 million). The current ratio was 1.74 and 1.55 as at 31 December 2021 and 2020, respectively.

During the Year, the Group generally financed its operations with internally generated cash flow and credit facilities provided by its principal bankers in China. As at 31 December 2021, the Group had outstanding bank borrowings of approximately RMB15.0 million (31 December 2020: RMB20.0 million). These bank loans were secured by certain buildings, prepaid lease payments and right-of-use assets owned by the Group. As at 31 December 2021, the Group maintained bank balances and cash of approximately RMB68.6 million (31 December 2020: RMB74.7 million). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 0.22 and 0.23 as at 31 December 2021 and 2020 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 RMB3.7 million of capital commitments, which were not provided for in respect of property, plant and equipment as at 31 December 2021 (31 December 2020: approximately RMB4.4 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 2021.

GEARING RATIO

As at 31 December 2021, the Group's gearing ratio was approximately 6.0% (31 December 2020: approximately 8.5%), based on total debt of approximately RMB15.0 million and total equity of approximately RMB248.0 million. The decrease is mainly attributable to the decrease in the average balance of the interest-bearing loans during the Year as compared to the Last Corresponding Period.

Note: Gearing ratio is calculated as the total debt divided by total equity. Total debt includes bank and other borrowings.

CHARGE OVER ASSETS OF THE GROUP

As at 31 December 2021, bank borrowings were secured by certain buildings and right-of-use asset in aggregate of RMB17.0 million (2020: RMB18.4 million). As at 31 December 2021 and 2020, bill payables were secured by trademarks with carrying amount of nil.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities (2020: nil).

FOREIGN EXCHANGE EXPOSURE

Most of the sales and cost of production of the Group are settled in Renminbi (“RMB”). There are only limited sales and administrative expenses which are denominated in United States Dollars (“US\$”) and Hong Kong Dollars (“HK\$”). Therefore, the Group was not exposed to material foreign exchange risks. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of approximately 268 employees (2020: 273). The Group’s staff cost for the Year amounted to approximately RMB27.3 million (2020: approximately RMB28.1 million). The decrease was mainly due to the reduced sales and marketing during the Year. The Group’s remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of the individual employee. The Group recognises the importance of maintaining a good relationship with its employees. The remuneration payable to its employees includes salaries and allowance.

In the PRC, the Group’s employees have participated in various security insurance 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).

* *English names are translated for identification purpose only*

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.

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

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

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 December 2021 are set out in note 27 to the consolidated financial statements.

Pursuant to the applicable PRC laws and regulations, the Group contributes to various security insurance including social insurance and housing provident fund.

No forfeited contributions are available to reduce the contribution payable by the Group in future years.

PRINCIPAL RISKS AND UNCERTAINTIES

Foreign exchange risk

Foreign exchange rate risk refers to the risk that movement in foreign currency exchange rates will affect the Group's financial results and cash flows. Since the Group's sales and productions are primarily in China, the Group is not expected to incur a significant amount of sales, assets and liabilities denominated in a currency other than RMB. However, certain administrative expenses related to legal and professional fees are denominated in HK\$. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which the Group's assets and liabilities is denominated. A depreciation of the RMB would require the Group to use more RMB funds to service the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB would result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date. The Group neither has a formal foreign currency hedging policy nor engages in hedging activities designed or intended to manage such exchange rate risk during the Year. Since RMB is not freely convertible, the Group's ability to reduce foreign exchange rate risk is limited.

Credit risk

The Group is exposed to credit risk primarily arising from trade receivables, other receivables, advances to employees and independent third parties loans to employees and bank balances. Trade receivables are substantially from customers with good collection track records with the Group. For trade receivables, the Group delegated a team responsible for 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. Reversal of the impairment losses on trade receivables recognised during the Year was RMB2,000 under the expected credit loss model ("ECL") (2020: impairment loss of RMB91,000). 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 9% (2020: approximately 3%) and approximately 32% (2020: approximately 15%) of these receivables are due from the Group's largest customer and the top five customers respectively as at the year ended 31 December 2021.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with high credit ratings assigned by international credit-rating agencies or with good reputation.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognised financial assets was the carrying amounts of those assets as stated on the Group's consolidated statements of financial position.

Liquidity risk

The Group's financial liabilities are all falling due within the next 12 months from the end of the Year. As at 31 December 2021, the Group had net current assets and net assets of RMB76.7 million and RMB248.0 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.

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. Major suppliers have maintain years of cooperation with us as we strived to grow with the suppliers.

OUTLOOK

The economic situation in 2022 is still full of uncertainties and challenges. The epidemic situation in China became increasingly severe after the Chinese lunar year. This has inevitably impacted the local economy, which has been further exacerbated by the rippling economic effects across the world triggered by the Russia-Ukraine war. However, due to the high vaccination rate in China, the number of critical illness cases and the death rate continue to remain low. In view of the robust epidemic prevention system implemented by the Chinese government, the company is still optimistic about China's domestic economy. In response to the recent economic set-backs, the management of the Company has formulated the following strategies for the Group:

- (1) the Group will continue to strengthen its epidemic prevention measures, which include but are not limited to a strict control of personnel movements into and out of the production plant and sterilization of all production plant facilities;
- (2) the Directors will exert their best efforts to strengthen corporate governance, explore market opportunities and safeguard the interests of shareholders;
- (3) the Group will increase the inventory level of the Company's raw materials to reduce the impact of the raw-material shortages and low productivity rates caused by the COVID-19 outbreak;
- (4) the Group will further expand the market share of the Company's nursing products and vigorously expand the sales of the Company's products in the markets of Northeast and Northern China;
- (5) the Group will participate in the Shanghai Beauty Expo to expand the OEM market of the Company's hygiene products and improve the utilization efficiency of the new hygiene and oral care production workshop;

- (6) the Group will continue to promote the online sales channels of the Company's products and boost the market performance of the Company's products, especially oral care products, across new retail channels; and
- (7) the Group will sign long-term agreements with major suppliers to reduce the impact of large fluctuations in raw materials on the gross profit margin of the Company's products.

AUDIT COMMITTEE

The Company established the Audit Committee on 17 June 2016 with written terms of reference which are in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditors; review financial statements of the Company and judgments in respect of financial reporting; and oversee internal control procedures and risk management system of the Company. As at 31 December 2021, 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 2021, the nine months ended 30 September 2021 and the unaudited interim results for the six months ended 30 June 2021 as well as audited annual results for the year ended 31 December 2021 and the Group's internal controls for the Year. The Group's results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this announcement, and confirmed that this announcement complies with the GEM Listing Rules.

The Audit Committee held five meetings during the Year. Details of the attendance of the Audit Committee at the Audit Committee meetings are set out in the section headed "Board Meeting and Procedures".

SCOPE OF AUDITOR’S WORK ON FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group’s auditors, SHINEWING (HK) CPA Limited (“SHINEWING”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on this announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN COMPETING BUSINESS

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2020: nil) in light of the profit level of the Company during the Year.

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

CODE OF CONDUCT

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

PUBLIC FLOAT

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

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting (“AGM”) of the Company will be held on 25 May 2022 (Wednesday) at conference room, No. 35 Yingbin Road, Xiake Town, Jiangyin City, Jiangsu Province, the PRC. For the purpose of determining entitlement to attend the forthcoming AGM, the register of members of the Company will be closed from 19 May 2022 (Thursday) to 25 May 2022 (Wednesday), both days inclusive, during which period no transfer of shares of the Company (the “Shares”) will be registered. In order to qualify for attending the forthcoming AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on 18 May 2022 (Wednesday).

PUBLICATION ON THE COMPANY AND STOCK EXCHANGE’S WEBSITES

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

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

Hong Kong, 25 March 2022

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

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

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