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China Oral Industry Group Holdings Limited

中國口腔產業集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8406)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2023

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

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 Oral Industry Group Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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.

FINANCIAL RESULTS

The board of Directors (the “**Board**”) presents the unaudited condensed consolidated results of the Group for the three months ended 31 March 2023 (the “**Period**”), together with the unaudited comparative figures for the corresponding period in 2022, as follows:

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

For the three months ended 31 March 2023

	Notes	For the three months ended 31 March	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	62,046	77,746
Cost of sales		<u>(53,328)</u>	<u>(68,095)</u>
Gross profit		8,718	9,651
Other income and gains		321	389
Distribution and selling expenses		(4,840)	(5,381)
Administrative and other operating expenses		(4,685)	(5,355)
Finance costs		<u>(329)</u>	<u>(435)</u>
Loss before tax		(815)	(1,131)
Income tax expense	4	<u>(209)</u>	<u>(359)</u>
Loss for the period	5	<u>(1,024)</u>	<u>(1,490)</u>
Other comprehensive expense, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(292)</u>	<u>(345)</u>
Other comprehensive expense for the period		<u>(292)</u>	<u>(345)</u>
Total comprehensive expense for the period		<u><u>(1,316)</u></u>	<u><u>(1,835)</u></u>
		<i>RMB cents</i>	<i>RMB cents</i> (restated)
Loss per share			
– Basic and diluted	6	<u><u>(0.11)</u></u>	<u><u>(0.19)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Share capital <i>RMB'000</i>	Special premium <i>RMB'000</i>	Share reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2023 (Audited)	8,427	62,355	17,429	9,567	1,830	23,540	123,148
Loss for the period	-	-	-	-	-	(1,024)	(1,024)
Other comprehensive expense for the period	-	-	-	-	(292)	-	(292)
Total comprehensive expense for the period	-	-	-	-	(292)	(1,024)	(1,316)
Balance at 31 March 2023 (Unaudited)	<u>8,427</u>	<u>62,355</u>	<u>17,429</u>	<u>9,567</u>	<u>1,538</u>	<u>22,516</u>	<u>121,832</u>
Balance at 1 January 2022 (Audited)	6,969	26,558	17,429	9,567	(205)	58,391	118,709
Loss for the period	-	-	-	-	-	(1,490)	(1,490)
Other comprehensive expense for the period	-	-	-	-	(345)	-	(345)
Total comprehensive expense for the period	-	-	-	-	(345)	(1,490)	(1,835)
Balance at 31 March 2022 (Unaudited)	<u>6,969</u>	<u>26,558</u>	<u>17,429</u>	<u>9,567</u>	<u>(550)</u>	<u>56,901</u>	<u>116,874</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Oral Industry Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 3 November 2015.

The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 7 December 2017.

Its ultimate controlling party is Ms. Yan Ping, who is also the chairlady and an executive director of the Company.

The addresses of the registered office and the principal place of business of the Company are Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of inflatable products and related accessories, and the provision of dental clinic services.

Items included in the financial statements of each of the Group’s subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the “**functional currency**”). The functional currency of the Company is Hong Kong dollars (“**HK\$**”). The consolidated financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousand, which is different from the functional currency of the Company as the Group’s dominated operations are substantially based in the People’s Republic of China (the “**PRC**”).

2. BASIS OF PREPARATION

The Group’s unaudited condensed consolidated financial statements have been prepared in accordance with the accounting policies, which conform to the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

During the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, which are relevant and effective to the Group’s consolidated financial statements for the annual period beginning on 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Standard 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3. REVENUE AND SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the manufacturing and sales of inflatable products and related accessories. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

Revenue

	For the three months ended 31 March	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Revenue from customers		
– Sale of inflatable products and related accessories	60,325	77,786
– Sub-contracting income	1	(40)
– Provision of dental clinic services	1,720	–
	<u>62,046</u>	<u>77,746</u>

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the locations of the customers.

	For the three months ended 31 March	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Revenue from external customers:		
– China	2,764	4,698
– Europe	1,473	17,821
– Australia and Oceania	–	653
– North America	50,541	37,511
– Asia	7,268	16,407
– Central and South America	–	656
	<u>62,046</u>	<u>77,746</u>

4. INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	For the three months ended 31 March	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	–	(4)
PRC Enterprise Income Tax	209	283
Deferred tax	–	80
	<u>209</u>	<u>359</u>

Hong Kong Profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the Period.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years, unless preferential rate is applicable. A wholly-owned subsidiary of the Company located in the Zhongshan City is registered as a High and New Technology Enterprise and is entitled to the preferential corporate income tax rate of 15% for a period of 3 years to 2023.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. LOSS FOR THE PERIOD

	For the three months ended 31 March	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	53,328	68,095
Depreciation of property, plant and equipment	343	575
Depreciation of right-of-use assets	1,058	1,080
Amortisation of intangible assets	29	27
Net foreign exchange (gains)/losses	(68)	221
	<u>9,902</u>	<u>15,978</u>
Employee benefits expense (including directors' emoluments)		
Salaries, wages and other benefits	9,902	15,978
Contribution to retirement benefits schemes	1,209	2,155
	<u>11,111</u>	<u>18,133</u>

6. LOSS PER SHARE

For the three months ended 31 March	
2023	2022
<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Unaudited)

Loss

Loss for the period attributable to owners of the Company
for the purpose of basic loss per share

<u>(1,024)</u>	<u>(1,490)</u>
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2023	2022
'000	'000

Number of shares

Weighted average number of ordinary shares
for the purpose of basic loss per share

<u>960,000</u>	<u>800,000</u>
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The diluted loss per share is equal to the basic loss per share as there is no dilutive potential ordinary share in issue during the three months ended 31 March 2023 and 2022.

7. DIVIDENDS

No interim dividend was proposed by the Board for the Period (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Founded in 2003, the Group has nearly 20 years of experience in designing, manufacturing, and selling high-quality inflatable amusement parks and other inflatable products. The Group is mainly engaged in the manufacturing and sales of inflatable products and related accessories, and has sets its sights in the development of big health field.

Due to the uncertainty of the global pandemic, the Group's main business is affected to varying degrees. The Group manufactures its inflatable products in the production facilities in Dongcheng Industrial Zone located in Zhongshan City, Guangdong Province. The Group is committed to maintain high standards of quality in all of the products and follow stringent quality control procedures throughout its production processes. The Group believes its product design and development capabilities will help strengthen its competitiveness through product differentiation and innovation.

Upon the completion of acquisition of the entire equity interest in HongKong Eko Holding Co., Limited in January 2023, the Group has made a step forward in the oral care industry. Hongkong Eko Holding Co., Limited and its subsidiary are engaged in the operation of a dental clinic and provision of dental clinic services in the PRC. The Group believes the acquisition shall generate new income stream to the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately RMB62,046,000 for the Period, representing a decrease of approximately RMB15,700,000 or 20.2% as compared to the revenue of approximately RMB77,746,000 for the period ended 31 March 2022. Revenue from the sales of inflatable playgrounds with air blowers for the Period was approximately RMB58,304,000 (2022: approximately RMB75,070,000), representing a decrease of approximately RMB16,766,000 or 22.3% compared with the corresponding period in 2022, which accounted for approximately 94.0% of the Group's total revenue (2022: approximately 96.6%); revenue from the sales of electronic solar products for the Period was approximately RMB1,043,000 (2022: approximately RMB2,401,000), representing a decrease of approximately RMB1,358,000 or 56.6%, which accounted for approximately 1.7% of the Group's total revenue (2022: approximately 3.1%). Revenue from the provision of dental clinic services for the Period was approximately RMB1,720,000 (2022: Nil), which accounted for approximately 2.8% of the Group's total revenue.

An analysis of the Group's revenue for the Period by geographical location is set out in Note 3 to the unaudited condensed consolidated financial statements.

Cost of sales

Cost of sales was approximately RMB53,328,000 for the Period, representing a decrease of approximately RMB14,767,000 or 21.7% as compared to approximately RMB68,095,000 for the corresponding period in 2022. Such decrease was primarily due to (i) the decrease in purchase price of raw materials; and (ii) the decrease in staff cost, which was in line with the decrease in the Group's revenue for the Period.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB8,718,000 for the Period, representing a decrease of approximately RMB933,000 compared with the corresponding period in 2022 (2022: approximately RMB9,651,000). The gross profit margin was approximately 14.1% for the Period, representing an increase of approximately 13.7% compared with the corresponding period in 2022 (2022: approximately 12.4%). Such increase was mainly due to the higher gross profit margin from the dental clinic business. During the Period, the gross profit margin was approximately 12.9% from the inflatable products business and approximately 57.5% from the dental clinic business.

Other income and gains

Total other income and gains was approximately RMB321,000 for the Period, representing a decrease of approximately RMB68,000 or 17.5% as compared with that of the corresponding period in 2022 (2022: approximately RMB389,000). Such decrease was primarily due to the absence of equipment rental income of RMB240,000 upon the disposal of the non-woven production line, partly offset by an increase in bank interest income of RMB108,000 and net exchange gains of RMB68,000.

Distribution and selling expenses

Total distribution and selling expenses was approximately RMB4,840,000 for the Period, representing a decrease of approximately RMB541,000 or 10.1% as compared to that of the corresponding period in 2022 (2022: approximately RMB5,381,000). The decrease was mainly due to the Group's decreased spending in freight and transportation expenses of approximately RMB762,000, partly offset by an increase in commission and sales service expenses of approximately RMB227,000.

Administrative expenses

The administrative expenses was approximately RMB4,685,000 for the Period, representing a decrease of approximately RMB670,000 or 12.5% as compared to that of the corresponding period in 2022 (2022: approximately RMB5,355,000). The decrease was mainly due to the decrease in depreciation of approximately RMB247,000, salaries and related expenses of approximately RMB142,000 and other administrative expenses of approximately HK\$151,000.

Finance costs

The Group recorded interest on lease liabilities of approximately RMB329,000 for the Period, representing a decrease of approximately RMB106,000 or 24.4% as compared with the corresponding period in 2022 (2022: approximately RMB435,000).

Loss for the Period

As a result of the foregoing, the Group recorded the loss for the Period of approximately RMB1,024,000, representing a decrease of 31.3% as compared to that of the corresponding period in 2022 (2022: approximately RMB1,490,000).

Dividend

The Board resolved not to declare any dividend for the Period.

Significant investments, material acquisitions or disposal of subsidiaries or affiliated companies

In January 2023, the Company has completed the acquisition of the entire equity interest in HongKong Eko Holding Co., Limited.

Save as disclosed above, there was no other significant investment, material acquisition or disposal of subsidiaries or associated companies by the Group during the Period.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2023, the interests and short positions of the Directors and chief executive of the Company (the “**Chief Executive**”) in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”) are as follows:

Long position in ordinary shares of the Company

Name of Directors/ Chief Executive	Capacity/Nature of interest	Number of underlying Shares	Percentage of shareholding (Note 1)
RISEN THRIVE LIMITED	Beneficial owner	424,560,000	44.23%
Ms. Yan Ping	Interest of controlled corporation (Note 2)	424,560,000	44.23%

Note:

- (1) The percentage is calculated on the basis of 960,000,000 shares in issue as at 31 March 2023.
- (2) Ms. Yan Ping (“**Ms. Yan**”) beneficially owns the entire issued share capital of RISEN THRIVE LIMITED. Ms. Yan is deemed, or taken to be, interested in all the Shares held by RISEN THRIVE LIMITED for the purpose of the SFO. Ms. Yan is the sole director of RISEN THRIVE LIMITED.

Save as disclosed above, as at 31 March 2023, none of the Directors or the Chief Executive or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2023, so far as known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, there was no other person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the shares and underlying shares of the Company which would require disclosure to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company, or as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

CHANGES IN DIRECTORS’ AND CHIEF EXECUTIVE’S INFORMATION

There was no change in the information of the Directors or the Chief Executive which is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 15 November 2017 pursuant to the written resolution of the shareholders of the Company on 15 November 2017 for the purpose of providing additional incentives to eligible participants for their contribution to the Group and/or enabling the Group to attract and retain the best available personnel that are valuable to the Group. No share option had been granted under the Share Option Scheme since its adoption on 15 November 2017 and up to the date of this announcement.

COMPETING AND CONFLICT OF INTERESTS

During the Period, the Directors and the Controlling Shareholder and their respective close associates do not have any interest in a business apart from the Group’s business which competes and is likely to compete, directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or have any other conflicts of interest with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the Required Standard of Dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the "**CG Code**"). During the Period, to the best knowledge of the Board, the Company had complied with the applicable code provisions of the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 20 June 2017. The chairlady of the Audit Committee is Ms. Lian Jingyu, an independent non-executive Director, and other members include Ms. Shen Jindan and Ms. Deng Xin, the independent non-executive Directors. The written terms of reference of the Audit Committee are in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision D.3 of the CG Code and are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The unaudited condensed financial results for the Period has not been audited by the independent auditor of the Company, but has been reviewed by the Audit Committee. The Audit Committee believes that the relevant results has complied with the applicable accounting standards of the HKFRSs issued by the HKICPA and the applicable disclosure provisions of the GEM Listing Rules, and that adequate disclosures have been made.

By Order of the Board
China Oral Industry Group Holdings Limited
Yan Ping
Chairlady and executive Director

Hong Kong, 15 May 2023

As at the date of this announcement, the Board comprises Ms. Yan Ping, Mr. Liu Yao Guang and Mr. Xiao Jiansheng as executive Directors; and Ms. Shen Jindan, Ms. Deng Xin and Ms. Lian Jingyu as independent non-executive Directors.

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 of The Stock Exchange of Hong Kong Limited 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 website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the Company’s website at www.chinaoral.co.