

China Golden Classic Group Limited 中國金典集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8281



Interim Report 2023

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Ms. Du Yongwei
Mr. Xiang Dongliang

COMPLIANCE OFFICER

Ms. Li Qiuyan

COMPANY SECRETARY

Mr. Xiang Dongliang

REGISTERED OFFICE

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE IN THE PRC

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Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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133 Wan Chai Road
Wan Chai
Hong Kong

PRINCIPAL BANK

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

REGISTERED PIE AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISER

Seyfarth Shaw
as to Hong Kong law

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

www.goldenclassicbio.com

STOCK CODE

8281

Interim Results

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	62,394	55,198	128,412	114,922
Cost of sales		(39,295)	(34,528)	(80,970)	(73,488)
Gross profit		23,099	20,670	47,442	41,434
Other income		1,709	1,424	2,825	2,072
Selling and distribution costs		(10,543)	(9,231)	(22,889)	(22,025)
Administrative expenses		(13,804)	(9,909)	(27,302)	(22,754)
Finance costs		(115)	(53)	(246)	(301)
Profit (loss) before tax		346	2,901	(170)	(1,574)
Income tax (expenses) credit	4	(2,282)	(336)	(770)	67
(Loss) profit for the period	5	(1,936)	2,565	(940)	(1,507)
Other comprehensive expense for the period					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		358	1,132	231	841
Total comprehensive (expense) income for the period attributable to owners of the Company		(1,578)	3,697	(709)	(666)
(Loss) earnings per share					
Basic and diluted (RMB cents)	6	(0.19)	0.26	(0.09)	(0.15)

Interim Results

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	144,934	148,363
Right-of-use assets	9	19,251	20,256
Intangible assets		–	–
Deposits paid for acquisition of property, plant and equipment		8,094	9,717
Deferred tax assets		845	856
		173,124	179,192
Current assets			
Inventories		37,897	35,365
Trade and other receivables	10	65,930	62,802
Financial assets at fair value through profit or loss ("FVTPL")	11	3,007	3,124
Pledged bank deposits		10,653	10,653
Cash and cash equivalents		39,297	73,011
		156,784	184,955
Current liabilities			
Trade and other payables	12	42,300	61,615
Contract liabilities	12	10,392	20,883
Lease liabilities		1,415	1,861
Tax payable		691	1,880
Bank borrowing	13	15,000	15,000
Amounts due to related parties		3,382	–
		73,180	101,239
Net current assets		83,604	83,716

Interim Results

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	30 June 2023	31 December 2022
<i>Note</i>	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred tax liabilities	1,282	1,299
Lease liabilities	933	1,409
	2,215	2,708
Net liabilities	254,513	260,200
Capital and reserves		
Share capital	8,606	8,606
Reserves	14 245,907	251,594
	254,513	260,200

Interim Results

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023 (audited)	8,606	74,386	15	42,898	1,798	132,497	260,200
Loss for the period	-	-	-	-	-	(940)	(940)
Other comprehensive expense for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	231	-	231
Total comprehensive income (expense) for the period	-	-	-	-	231	(940)	(709)
Dividend declared/paid	-	-	-	-	-	(4,978)	(4,978)
At 30 June 2023 (unaudited)	8,606	74,386	15	42,898	2,029	126,579	254,513
At 1 January 2022 (audited)	8,606	74,386	15	42,899	1,765	120,345	248,015
Loss for the period	-	-	-	-	-	(1,507)	(1,507)
Other comprehensive expense for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	841	-	841
Total comprehensive income (expense) for the period	-	-	-	-	841	(1,507)	(666)
At 30 June 2022 (unaudited)	8,606	74,386	15	42,899	2,606	118,838	247,349

Interim Results

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(28,171)	(26,358)
INVESTING ACTIVITIES		
Purchase of financial assets at FVTPL	(3,000)	(3,000)
Proceeds on disposal of financial assets at FVTPL	3,211	4,695
Acquisition of property, plant and equipment	(4,506)	(5,534)
Proceeds on disposal of property, plant and equipment	53	4,886
Other investing cash flows (net)	50	881
Net cash generated from investing activities	(4,192)	1,928
FINANCING ACTIVITIES		
Repayment of bank borrowing	–	(15,000)
Dividend paid	(1,142)	–
Settlement of lease liabilities	(922)	–
Other financing cash flows (net)	366	1,284
Net cash used in financing activities	(1,698)	(13,716)
Net decrease in cash and cash equivalents	(34,061)	(38,146)
Cash and cash equivalents at beginning of the period	73,011	68,596
Effect of foreign exchange rate changes	347	841
Cash and cash equivalents at end of the period, representing bank balances and cash	39,297	31,291

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

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 the Cayman Islands and its shares are listed on GEM of The Stock Exchange on 8 July 2016.

The principal activity of the Company is investment holding during the six months ended 30 June 2023 (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 financial information (“Financial Information”) of the Company and its subsidiaries (collectively as the “Group”) for the Period 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 2022. The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2022.

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

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

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 2022, except as described below.

In the Period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2023:

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION

Information reported to the executive Directors, 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 revenue

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

During the six months ended 30 June 2023 and 2022, all revenue were recognised at a point in time upon delivery.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue (Continued)

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

For the six months ended 30 June 2023 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	48,546	6,506	73,360	128,412
Segment profit	18,211	2,114	27,117	47,442
Unallocated income				2,825
Unallocated expenses				(50,191)
Finance costs				(246)
Loss before tax				(170)

For the six months ended 30 June 2022 (unaudited)

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue (Continued)

For the three months ended 30 June 2023 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	25,059	2,427	34,908	62,394
Segment profit	9,330	829	12,940	23,099
Unallocated income				1,709
Unallocated expenses				(24,347)
Finance costs				(115)
Profit before tax				346

For the three months ended 30 June 2022 (unaudited)

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

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue (Continued)

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

(b) Segment assets and liabilities

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

Segment assets

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products	218,665	214,442
Unallocated	111,243	149,705
Total assets	329,908	364,147

Segment liabilities

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products	54,057	84,611
Unallocated	21,338	19,336
Total liabilities	75,395	103,947

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

4. INCOME TAX EXPENSES (CREDIT)

Income tax in the condensed consolidated statement of profit or loss and other comprehensive income is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax				
PRC Enterprise Income Tax	1,457	20	(74)	(350)
Withholding tax on dividend	850	350	850	350
Deferred tax	(25)	(34)	(6)	(67)
	2,282	336	770	(67)

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

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

5. LOSS (PROFIT) PROFIT FOR THE PERIOD

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

	Three months ended 30 June		Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories recognised as expenses	39,295	34,528	80,970	72,488
Depreciation of property, plant and equipment	6,690	208	9,549	3,583
Depreciation of right-of-use assets	468	–	780	268
Impairment loss of trade receivables	–	–	–	129
Gain on disposal of property, plant and equipment	(44)	(132)	(44)	(132)
Fair value gain on financial assets at FVTPL	(42)	–	(94)	–

6. (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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(Loss) profit attributable to owners of the Company	(1,936)	2,565	(940)	(1,507)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

6. (LOSS) EARNINGS PER SHARE (Continued)**Number of shares**

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue	1,000,000	1,000,000	1,000,000	1,000,000

Note: No diluted loss per share is presented for the six months ended 30 June 2023 and for the corresponding periods in 2022 as the Group had no potential ordinary shares outstanding.

7. DIVIDEND

Pursuant to a resolution passed on 18 May 2023, the shareholders of the Company approved a final dividend of HK0.559 cents (approximately RMB0.5 cents) per ordinary share of the Company, amounting to an aggregate amount of HK\$5,590,000 (approximately RMB5,000,000), for the year ended 31 December 2022.

The Board did not recommend the payment of an interim dividend for the Period (30 June 2022: nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the Period, additions to the Group's property, plant and equipment were approximately RMB4,506,000 (30 June 2022: approximately RMB2,482,000).

9. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023 and 2022, the Group did not enter into a new lease agreement for the use of assets with lease term more than 12 months.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

10. TRADE AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade and bills receivables	29,718	34,949
Less: allowance for impairment of trade receivables	(223)	(223)
	29,495	34,726
Deposits and other receivables	1,472	1,301
Advances to employees	44	765
Loan to employees	355	303
	1,871	2,369
Prepayments	34,564	25,707
	65,930	62,802

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

10. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0–30 days	26,091	31,053
31–60 days	1,487	1,829
61–90 days	320	262
Over 3 months but less than 6 months	651	734
Over 6 months but less than 1 year	946	848
	29,495	34,726

Movement in the impairment on trade receivables:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
At beginning of period/year	223	279
Reversal of impairment loss for the period/year	–	(56)
At end of period/year	223	223

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

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

11. FINANCIAL ASSETS AT FVTPL

As at 30 June 2023 and 31 December 2022, financial assets at FVTPL represented wealth management products placed at a financial institute with maturity date up to one year from the date of purchase.

Fair values of financial instruments

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

Fair value hierarchy	Valuation technique and key inputs	As at	As at	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
		30 June 2023	31 December 2022			
		RMB'000	RMB'000			
Financial assets at FVTPL						
Wealth management products	Level 3 Discounted cash flow method with estimated yield rate as the key input	3,007	3,124	Yield rate	6.4% (2022: 7%)	The higher the yield rate, the higher the fair value

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

	RMB'000
At 31 December 2022	3,124
Purchases	3,000
Disposal	(3,211)
Fair value gain recognised in other income	94
At 30 June 2023	<u>3,007</u>

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

12. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade and bills payables	37,530	46,654
Accruals and other payables	2,812	13,086
Payables for property, plant and equipment	1,958	1,875
	42,300	61,615
Contract liabilities	10,392	20,883

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0–30 days	20,458	17,044
31–60 days	4,202	9,573
61–90 days	851	4,722
Over 3 months but less than 6 months	11,148	14,596
Over 6 months but less than 1 year	497	366
Over 1 year but less than 2 years	72	94
Over 2 years but less than 5 years	302	259
	37,530	46,654

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.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

13. BANK BORROWING

The Group did not obtain any new bank borrowing during the Period (31 December 2022: RMB15,000,000) and the Group did not repay any bank borrowing (31 December 2022: RMB15,000,000) during the Period.

14. SHARE CAPITAL

	Number of shares '000	Nominal value of ordinary shares HK\$'000
Authorised:		
Ordinary shares		
At 1 January 2022 (audited), 31 December 2022 (audited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	2,000,000	20,000
Issued and fully paid:		
Ordinary shares		
At 1 January 2022 (audited), 31 December 2022 (audited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	1,000,000	10,000
Equivalent to RMB'000		8,606

15. CAPITAL COMMITMENTS

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted but not provided for	1,958	2,600

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

16. RELATED PARTY TRANSACTIONS

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

- (a) During the Period, the Group had a two years lease in respect of an office from Shanghai Fumeizi Biotechnology Co., Limited* (上海復美姿生物科技有限公司) (“Shanghai Fumeizi”), a related company controlled by Mr. Tong Huaizhou, a close family member of an executive Director, Ms. Li Qiuyan. As at 30 June 2023, the aggregate carrying amounts of such lease liabilities is approximately RMB2,348,000 (31 December 2022: RMB3,270,000). During the Period, the Group has made lease payment of approximately RMB960,000 (31 December 2022: RMB480,000) including interest expense on lease liabilities.
- (b) During the Period, the Group rented an office premise from Ms. Li Qiuyan, an executive Director, at nil consideration (2022: nil).
- (c) As at 30 June 2023, banking facility of RMB80,000,000 (31 December 2022: RMB80,000,000) was guaranteed by Ms. Li Qiuyan.

(d) Key management compensation

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

	30 June 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited)
Salaries and other benefits in kind	549	713
Retirement benefits scheme contributions	69	51
	618	764

* English names are translated for identification purpose only

Business Review and Prospects

BUSINESS REVIEW

For the six months ended 30 June 2023 (the “Period”), the Group recorded a turnover of approximately RMB128.4 million, which increased by approximately 11.7% as compared to the six months ended 30 June 2022 (the “Last Corresponding Period”). Such increase was mainly attributed to the increased turnover from household hygiene products. The turnover from household hygiene products increased by approximately RMB17.3 million or 30.8% from approximately RMB56.1 million for the Last Corresponding Period to approximately RMB73.4 million for the Period. Such increase was mainly due to increased promotion as well as an upward trend shown in economic development. On the other hand, the sales volume of the Group’s oral care products decreased by approximately 8.0% from approximately RMB52.7 million for the Last Corresponding Period to approximately RMB48.5 million for the Period. The main reason for the decrease was that the production was slightly affected by the necessary adjustments made to the labelling process of oral care products in order to be prepared for the purpose of complying with relevant requirements under the Administrative Measures on Cosmetics Labelling* (《化妝品標籤管理辦法》), which shall apply to oral care products. The turnover from the Group’s leather care products increased by approximately RMB0.4 million or 7.0% to approximately RMB6.5 million for the Period, as compared with approximately RMB6.1 million for the Last Corresponding Period. The Group recorded a net loss of approximately RMB0.9 million in the Period compared to the net loss of RMB1.5 million in the Last Corresponding Period, representing a decrease of approximately 37.6%.

During the Period, the Group’s net loss margin was approximately 0.7% as compared to the net loss margin of approximately 1.3% in the Last Corresponding Period, representing a decrease of approximately 0.6%. On the other hand, the Group’s overall gross profit margin was approximately 36.9% in the Period, representing an increase of approximately 0.9% from approximately 36.1% in the Last Corresponding Period. The increase in gross profit margin was primarily attributed to the decrease in the price of raw materials and packaging materials.

PROSPECTS AND OUTLOOKS

The Directors are of the view that the economic situation in the second half of 2023 is full of opportunities and challenges.

On one hand, China will likely roll out a raft of pro-growth measures in the third quarter to revive the nation's economic momentum, with a key focus on expanding domestic demand, spurring consumption, stimulating the vitality of the private investment. And the Group's operating environment is expected to improve.

On the other hand, the International Monetary Fund projected the global growth to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024. And the turnover of foreign trade products in the second half of 2023 might be negatively affected. Furthermore, all toothpastes prior to being sold in the China market will be required to complete record filings pursuant to the Regulation on the Supervision and Administration of Toothpaste* (《牙膏監督管理辦法》) expected to take effect on 1 December 2023. And the changes in regulations in the PRC would add uncertainty to the promotion and sales of our oral care products.

In response to the challenges, the management of the Group has formulated the following proposed strategies to strengthen our product competitiveness:

- (1) Develop the markets in the Middle East and Central Asia in the following year;
- (2) Set up a special team to be responsible for toothpaste record filing and further strengthen our regulatory department, and actively communicate with the relevant government authority to ensure that our products and their labeling comply with the Administrative Measures on Cosmetics Labeling, Regulation on the Supervision and Administration of Toothpaste and other applicable laws and regulations from time to time.

The Directors believe that the above measures can further increase our market share by taking advantage of the small and medium-sized toothpaste manufacturers' gradual withdrawal from the market due to their inability to meet the new regulatory requirements in the PRC and therefore the Directors believe that the above measures would create value for the shareholders of the Company.

* English names are translated for identification purpose only

Management Discussion and Analysis

RESULTS OF OPERATION

The Group's turnover for the Period was approximately RMB128.4 million, representing an increase of approximately 11.7% as compared to approximately RMB114.9 million for the Last Corresponding Period. During the Period, the Group incurred a loss attributable to owners of the Company of approximately RMB0.9 million, while the Group incurred a net loss of approximately RMB1.5 million for the Last Corresponding Period. The basic loss per share of the Group was RMB0.09 cents for the Period compared to the basic loss per share of RMB0.15 cents for the Last Corresponding Period.

Turnover

The Group recorded a turnover of approximately RMB128.4 million for the Period, representing an increase of approximately 11.7% as compared to approximately RMB114.9 million for the Last Corresponding Period. The higher turnover was mainly due to the increased sales volume of the Group's household hygiene products, which resulted in an increased turnover in this segment from approximately RMB56.1 million for the Last Corresponding Period to approximately RMB73.4 million for the Period. On the other hand, the turnover of oral care products recorded a decrease of approximately RMB4.2 million or 8.0% from approximately RMB52.7 million for the Last Corresponding Period to approximately RMB48.5 million for the Period. The main reason for the decrease was that the production was slightly affected by the necessary adjustments made to the labelling process of oral care products in order to be prepared for the purpose of complying with relevant requirements under the Administrative Measures on Cosmetics Labelling* (《化妝品標籤管理辦法》), which shall apply to oral care products.

Cost of sales

The Group's cost of sales increased from approximately RMB73.5 million for the Last Corresponding Period to approximately RMB81.0 million for the Period, representing an increase of approximately RMB7.5 million or 10.2%, which was mainly due to the increased product sales volume.

Gross profit and gross profit margin

The Group's gross profit increased from approximately RMB41.4 million in the Last Corresponding Period to approximately RMB47.4 million in the Period, representing an increase of approximately RMB6.0 million or 14.5%. The Group's gross profit margin increased from approximately 36.1% in the Last Corresponding Period to approximately 36.9% in the Period, primarily due to the decrease in price of raw materials and packaging materials during the Period.

Management Discussion and Analysis

Selling and distribution costs

The selling and distribution costs increased by approximately RMB0.9 million or 3.9%, from approximately RMB22.0 million for the Last Corresponding Period to approximately RMB22.9 million for the Period. The increase was mainly attributable to the increased promotional expenses during the Period.

Administrative expenses

For the Period, approximately RMB27.3 million of administrative expenses were incurred as compared to approximately RMB22.8 million for the Last Corresponding Period. The figure amounted to an increase of approximately RMB4.5 million or 20.0%, which was mainly due to the increased research and development expenses as well as depreciation expenses.

Finance costs

The interest expenses incurred by the Group for the Period were approximately RMB0.2 million, representing a decrease of approximately RMB0.1 million or 18.3% as compared to approximately RMB0.3 million for the Last Corresponding Period. It was primarily driven by the drop in the lending rate with respect to the loan provided to the Group for the Period as compared to that in the Last Corresponding Period.

Loss for the Period

As a result of the foregoing, the Group incurred a net loss of approximately RMB0.9 million for the Period, representing a decrease by approximately RMB0.6 million or 37.6% from the net loss of approximately RMB1.5 million for the Last Corresponding Period. Meanwhile, the net loss margin for the Period was approximately 0.7%, representing a decrease by approximately 0.6% from the net loss margin of 1.3% for the Last Corresponding Period.

INTERIM DIVIDEND

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group at 30 June 2023 was approximately RMB254.5 million (RMB260.2 million at 31 December 2022). As at 30 June 2023, the Group owned current assets of approximately RMB156.8 million (RMB185.0 million at 31 December 2022) and current liabilities of approximately RMB73.2 million (RMB101.2 million at 31 December 2022). The current ratio was 2.14 at 30 June 2023 and 1.83 at 31 December 2022.

Management Discussion and Analysis

During the Period, the Group generally financed its operations with internally generated cash flow. The Group had outstanding bank borrowings amounted to RMB15.0 million as at 30 June 2023 (31 December 2022: RMB15.0 million). These bank borrowings were secured by certain properties owned by the Group. As at 30 June 2023, the Group maintained bank balances and cash of approximately RMB39.3 million (RMB73.0 million at 31 December 2022). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 0.12 and 0.22 as at 30 June 2023 and 31 December 2022, respectively. The Group's gearing ratio (total bank borrowings over shareholders' equity) was 5.9% and 5.8% as at 30 June 2023 and 31 December 2022, respectively.

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

CHARGE OVER ASSETS OF THE GROUP

As at 30 June 2023, bank borrowings were secured by certain buildings and right-of-use assets in aggregate of approximately RMB14.3 million (2022: RMB17.3 million). As at 30 June 2023 and 2022, bills payables were secured by trademarks with carrying amount of nil.

CAPITAL COMMITMENTS

Save as disclosed above, as at 30 June 2023, the Group had no other material capital commitments.

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

Save as disclosed in this report, there were no other significant investments held, nor material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period and there are no plans for material investments or capital assets as at 30 June 2023.

CONTINGENT LIABILITIES

As at 30 June 2023 and 2022, the Group had no material contingent liabilities.

Management Discussion and Analysis

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2023, the Group had 267 full-time employees. The Group's staff cost for the Period amounted to approximately RMB8.4 million. The Group had maintained good relationships with its employees by providing them with training programmes, competitive compensation packages and incentives. Staff remuneration is awarded based on the job nature, scope of duty, work performance and professional experience of the particular staff, having taken the prevailing market situation into account. The Group's remuneration to employees includes salaries and discretionary annual bonuses.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

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

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

Other Information

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

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have taken under such provisions of the SFO), or be required to be entered in the register referred to therein pursuant to section 352 of the SFO, or be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, are as follows:

Long position in the ordinary shares of the Company

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

Notes:

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

Long position in the shares of the associated corporation

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

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company had any interests and 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, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2023, so far as the Directors are aware, the following persons (not being Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO and/or who are 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 of any other member of the Group:

Long position in the ordinary shares of the Company

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

Other Information

Note:

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

Save as disclosed above, as at 30 June 2023, the Directors are not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO, and/or who are 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 of any other member of the Group.

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 OR DEBENTURES

Save as disclosed above, at no time during the Period, 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 in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

NON-COMPETITION UNDERTAKINGS

Each of the controlling shareholders of the Company, namely Ms. Li and ChongBo Mary (collectively as the "Controlling Shareholders"), has entered into a deed of non-competition with the Company 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" in the prospectus of the Company dated 30 June 2016 and the non-competition undertaking has become effective from the date of listing of the shares of the Company on GEM (the "Listing Date"). As far as the Directors are aware, as at the date of this report, the Controlling Shareholders have not breached any terms under the Deed of Non-competition.

COMPETING INTERESTS

As far as the Directors are aware, during the Period and up to the date of this report, none of the Directors or the Controlling Shareholders and their respective close associates (as defined under the GEM Listing Rules) has any interests in a business which competes or may compete with the business of the Group or have any other conflict of interest with the Group.

AUDIT COMMITTEE

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

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

Other Information

CORPORATE GOVERNANCE CODE

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

To the best knowledge, information and belief of the Directors, the Company had complied with the code provisions in the CG Code for the Period.

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 report, 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 2023) are available for viewing on the Stock Exchange’s website at www.hkexnews.hk and on Company’s website at www.goldenclassicbio.com.

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

Hong Kong, 11 August 2023

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