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

Third Quarterly Report 2019

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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.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	**2019**	2018
		RMB'000	RMB'000	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover	4	**80,125**	70,217	**215,069**	191,811
Cost of sales		**(47,130)**	(43,991)	**(126,231)**	(116,464)
Gross profit		**32,995**	26,226	**88,838**	75,347
Other income		**1,231**	453	**3,287**	1,865
Selling and distribution costs		**(15,883)**	(14,133)	**(49,225)**	(40,973)
Administrative expenses		**(10,124)**	(9,282)	**(34,401)**	(29,664)
Finance costs		**(852)**	(713)	**(2,458)**	(2,016)
Profit before tax		**7,367**	2,551	**6,041**	4,559
Income tax expenses	5	**(884)**	(400)	**(1,289)**	(979)
Profit for the period	6	**6,483**	2,151	**4,752**	3,580
Other comprehensive income (expense) for the period					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		**187**	(298)	**243**	(614)
Total comprehensive income for the period attributable to owners of the Company		**6,670**	1,853	**4,995**	2,966
Earnings per share					
Basic and diluted (RMB cents)	7	**0.65**	0.22	**0.48**	0.36

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2019

	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 2019 (audited)	**8,606**	**74,386**	**15**	**42,898**	**2,869**	**79,748**	**208,522**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**4,752**	**4,752**
Other comprehensive income for the period:							
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**243**	**–**	**243**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**243**	**4,752**	**4,995**
At 30 September 2019 (unaudited)	**8,606**	**74,386**	**15**	**42,898**	**3,112**	**84,500**	**213,517**
At 1 January 2018 (audited)	8,606	74,386	15	42,898	2,929	78,340	207,174
Profit for the period	–	–	–	–	–	3,580	3,580
Other comprehensive expense for the period:							
Exchange difference arising on translation of foreign operations	–	–	–	–	(614)	–	(614)
Total comprehensive (expense) income for the period	–	–	–	–	(614)	3,580	2,966
At 30 September 2018 (unaudited)	8,606	74,386	15	42,898	2,315	81,920	210,140

Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 2019

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

China Golden Classic Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "Stock exchange") on 8 July 2016.

The principal activity of the Company is investment holding during the period. The subsidiaries of the Company are principally engaged in the manufacture and trading of oral care, leather care and household hygiene products.

The unaudited condensed consolidated interim financial information (the "Financial Information") of the Company and its subsidiaries (collectively as the "Group") for the nine months ended 30 September 2019 has been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information of the Group should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 December 2018. The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements, except for the new and revised standards as described in note 2, were consistent with those applied for the financial statements of the Group for the year ended 31 December 2018.

The functional currency of the Company and the Group's principal subsidiaries is Hong Kong Dollar ("HK$") or Renminbi ("RMB"). As the Group mainly operates in the People's Republic of China ("PRC"), the directors of the Company (the "Directors") consider that it is appropriate to present the Financial Information in RMB.

2. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis.

The accounting policies and methods of computation used in the Financial Information are consistent with those followed in the preparation of the annual audited consolidated financial statements of the Group for the year ended 31 December 2018, except as described below.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

The impact of the adoption of HKFRS 16 Leases has been summarised below. The application of other new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these Financial Information.

HKFRS 16 Leases

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 16 Leases (Continued)

The major impacts of the adoption of HKFRS 16 on the Group's Financial Information are described below.

The Group as lessee

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

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

The Group as lessor

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 16 Leases (Continued)

The Group as lessor (Continued)

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

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

3. CHANGE IN ACCOUNTING POLICIES

Leases

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

The Group as lessee

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

Lease liabilities

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

Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 2019

3. CHANGE IN ACCOUNTING POLICIES (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

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

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

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

3. CHANGE IN ACCOUNTING POLICIES (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

- the lease term has changed, or there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

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

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

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

Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 2019

3. CHANGE IN ACCOUNTING POLICIES (Continued)

The Group as lessee (Continued)

Right-of-use assets (Continued)

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

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

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

Lease modification

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on 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.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Specifically, the Group's reportable and operating segments are as follows:

(1) Oral care products segment reports manufacture and sales of oral care products.

(2) Leather care products segment reports manufacture and sales of leather care products.

(3) Household hygiene products segment reports manufacture and sales of household hygiene products.

(a) Segment revenues and results

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

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

For the nine months ended 30 September 2019 (unaudited)

	Oral care products RMB'000	**Leather care products RMB'000**	**Household hygiene products RMB'000**	**Total RMB'000**
Segment revenue	**122,902**	**16,509**	**75,658**	**215,069**

For the nine months ended 30 September 2018 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	106,132	19,885	65,794	191,811

Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 2019

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

For the three months ended 30 September 2019 (unaudited)

	Oral care products RMB'000	**Leather care products RMB'000**	**Household hygiene products RMB'000**	**Total RMB'000**
Segment revenue	**41,716**	**7,263**	**31,146**	**80,125**

For the three months ended 30 September 2018 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	37,779	6,026	26,412	70,217

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.

5. INCOME TAX EXPENSES (CREDIT)

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

	Three months ended 30 September		**Nine months ended 30 September**	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Unaudited)
Current tax				
PRC Enterprise Income Tax	**875**	400	**1,334**	979
Deferred tax	**9**	–	**(45)**	–
	884	400	**1,289**	979

5. INCOME TAX EXPENSES (CREDIT) (Continued)

(a) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the BVI.

(b) No provision for Hong Kong Profits Tax had been made for the nine months ended 30 September 2019 (2018: nil) as the Group did not have any assessable profits arising in Hong Kong.

(c) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries registered in the PRC is 25%.

(d) One of the Group's subsidiaries registered in the PRC is recognised as a High and New-technology Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 15% for the nine months ended 30 September 2019 (2018: 15%).

(e) One of the Group's subsidiaries registered in the PRC is recognised as a Small and Low Profit Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 10% for the nine months ended 30 September 2019 (2018: 10%).

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest expense on lease liabilities	**1**	–	**2**	–
Depreciation of right-of-use assets	**129**	–	**379**	–
Depreciation of property, plant and equipment	**4,034**	3,147	**11,992**	8,494
Amortisation of prepaid lease payments	**–**	112	**–**	336
Cost of inventories recognised as expenses	**47,130**	43,991	**126,231**	116,464
Bad debt written-off	**–**	–	**1,840**	–

Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 2019

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period attributable to the owners of the Company is based on the following data:

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit attributable to owners of the Company	**6,483**	2,151	**4,752**	3,580

Number of shares

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	2018	**2019**	2018
	'000	'000	**'000**	'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Weighted average number of ordinary shares	**1,000,000**	1,000,000	**1,000,000**	1,000,000

Note:

No diluted earning per share is presented for the nine months ended 30 September 2019 and for the corresponding period in 2018 as the Group had no potential ordinary shares outstanding.

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2019 (2018: nil).

BUSINESS REVIEW

For the nine months ended 30 September 2019, the Group recorded a turnover of approximately RMB215.1 million, representing an increase of approximately 12.1% as compared to the last corresponding period. In the meantime, the Group generated a net profit of approximately RMB4.8 million, reflecting an increase of approximately 32.7% as compared to the last corresponding period. The Group's net profit margin was approximately 2.2% for the nine months ended 30 September 2019, while it recorded a net profit margin of 1.9% in the last corresponding period, representing an improvement of approximately 0.3 percentage points. In addition, the Group's overall gross profit margin increased from approximately 39.3% for the nine months ended 30 September 2018 to approximately 41.3% for the nine months ended 30 September 2019, representing an improvement of approximately 2.0%.

The turnover of our oral care and household hygiene products for the nine months ended 30 September 2019 saw a substantial enhancement of approximately 15.8% and 15.0% respectively as compared with the corresponding period in 2018. The Directors believed that our efforts in sales and marketing activities had helped and will continue to help us to gain strengths in our long-term competition. On the other hand, suffering from the shrinking market demand for leather care products, our leather care products held back our company from reaching greater financial performance in the first nine months. However, it is worth noting that the sales of leather care products rebounded after hitting rock bottom during the third quarter of 2019. Also, the growth rate of turnover and the gross profit reached 20.5% and 186.0% respectively as compared with the corresponding period in 2018.

PROSPECTS AND OUTLOOKS

The economic outlook of the PRC in the near future will continue to be filled with challenges. It is expected that competition in the fast consumable product market will continue to be fierce. In the context of the manufacturing business, the general economic slowdown may adversely affect the consumers' purchasing power, which in turn could potentially affect their buying decisions and result in a decrease in sales.

However, it is also worth noting that as the consumers awareness for the well-being of oral care has been increasing, the demand for functional toothpaste which will alleviate oral diseases is also expected to grow. In the fourth quarter of 2019, we will broaden the ways of marketing. For example, we will promote our toothpaste through live video streaming. The Directors believed it will help the company to expand its market share.

RESULTS OF OPERATION

Our turnover for the nine months ended 30 September 2019 was approximately RMB215.1 million, representing an increase of 12.1% as compared to approximately RMB191.8 million for the last corresponding period. During the nine months ended 30 September 2019, the Group incurred a net profit of approximately RMB4.8 million, whereas the net profit for the last corresponding period was approximately RMB3.6 million. The basic earning per share was RMB0.48 cents for the nine months ended 30 September 2019, while the basic earnings per share was RMB0.36 cents for the last corresponding period.

Turnover

The Group recorded a total turnover of approximately RMB215.1 million for the nine months ended 30 September 2019, representing an increase of approximately 12.1% as compared to approximately RMB191.8 million for the last corresponding period. The increase in turnover was mainly resulted from an increase in the turnover of oral care products by approximately RMB16.8 million or 15.8%, from approximately RMB106.1 million for the nine months ended 30 September 2018 to approximately RMB122.9 million for the nine months ended 30 September 2019, which was mainly attributable to the enhanced promotion campaign, which includes hiring more temporary shopping guides in the supermarkets.

In addition, the sustained increase in sales of household hygiene products has also contributed to our overall growth. Specifically, the turnover of our household hygiene products increased by approximately RMB9.9 million or 15.0%, from approximately RMB65.8 million for the nine months ended 30 September 2018 to approximately RMB75.7 million for the nine months ended 30 September 2019. The increase was mainly because our brand has become more popular among the consumers.

Our leather care products recorded a decrease of approximately RMB3.4 million or 17.0%, from approximately RMB19.9 million for the nine months ended 30 September 2018 to approximately RMB16.5 million for the nine months ended 30 September 2019. The decline was mainly due to the lower usage of leather care products by the consumers.

Nevertheless, the sales of our leather care products rebounded in the third quarter after hitting rock bottom. The turnover increase by RMB1.2 million or 20.5%, from approximately RMB6.0 million in the third quarter of 2018 to approximately RMB7.3 million for the corresponding period of 2019, which was mainly due to the strengthening tie with the dealers.

Cost of sales

Cost of sales increased from approximately RMB116.5 million for the nine months ended 30 September 2018 to approximately RMB126.2 million for the nine months ended 30 September 2019, representing an increase of approximately RMB9.8 million or 8.4%. The increase mainly reflected the increased sales volume in the household hygiene products and oral care products segments.

Gross profit and gross profit margin

Gross profit increased from approximately RMB75.3 million for the nine months ended 30 September 2018 to approximately RMB88.8 million for the nine months ended 30 September 2019, representing an increase of approximately RMB13.5 million or 17.9%. The gross profit margin increased to 41.3%, representing an increase of 2.0 percentage points as compared to 39.3% for the last corresponding period. The increase was mainly attributable to the ever increasing sales of oral care products, which generate the highest gross profit margin among all of our product segments.

Selling and distribution costs

Selling and distribution expenses incurred for the nine months ended 30 September 2019 were approximately RMB49.2 million, reflecting an increase of approximately RMB8.3 million or approximately 20.1% as compared to approximately RMB41.0 million for the last corresponding period. The increase was driven by hiring more temporary Shopping guides through labor dispatch company during the period.

Administrative expenses

Administrative expenses incurred for the nine months ended 30 September 2019 were approximately RMB34.4 million, representing an increase of approximately RMB4.7 million or approximately 16.0% as compared to approximately RMB29.7 million for the last corresponding period. The increase was mainly attributable to the increase in staff costs, depreciation, research and development expenses, and legal and professional fees.

Finance costs

Interest expenses incurred for the nine months ended 30 September 2019 were approximately RMB2.5 million which increased by approximately RMB0.4 million or approximately 21.9%, as compared to approximately RMB2.0 million for the last corresponding period.

The additions in the relevant periods were driven by an increase of the average interest-bearing loans during the nine months ended 30 September 2019 as compared to the last corresponding period.

Profit for the period

As a result of the foregoing, we incurred a net profit of RMB4.8 million for the nine months ended 30 September 2019, representing an increase of RMB1.2 million or 32.7% as compared to the net profit of approximately RMB3.6 million for the nine months ended 30 September 2018. Net profit margin for the nine months ended 30 September 2019 was approximately 2.2%, representing an increase of approximately 0.3 percentage points as compared to the net profit margin of 1.9% of the last corresponding period.

DIVIDEND

The Board has determined not to declare a dividend for the nine months ended 30 September 2019.

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

There were no significant investments held, nor material acquisitions or disposals of subsidiaries and affiliated companies during the nine months ended 30 September 2019. Save as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 30 September 2019.

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

As at 30 September 2019, the interests and short positions of the Directors and 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 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 Rule 5.46 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, 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 *(Note 1)*	575,625,000	57.56%
Mr. Tong Xing ("Mr. Tong")	Interest of a controlled corporation *(Note 2)*	106,875,000	10.69%

Notes:

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

Long position in the shares of associated corporation

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

Save as disclosed above, none of the Directors and chief executive of the Company had any interest or short position 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 September 2019, in 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 for 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 *(Note1)*	106,875,000	10.69%

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 September 2019, the Directors are not aware of any other persons who had any interest or short position 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 for any other member of the Group.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was 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 selected participants as incentives or rewards 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 in general meeting. No share option has been granted pursuant to the Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the nine months ended 30 September 2019 was any rights granted to any Director or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, or was any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangements to enable 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 had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2019 and up to the date of this report.

COMPLIANCE WITH MODEL CODE FOR 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 set out in Rules 5.48 to 5.67 of the GEM Listing Rules. All the 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 nine months ended 30 September 2019 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 (together, the "Controlling Shareholders"), has entered into a deed of non-competition on 17 June 2016 (the "Deed of Non-competition"). Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus 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, as at the date of this report, none of the Directors or the Controlling Shareholders has any interests in a business which competes or may compete with the business of the Group or has 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 are mainly 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 system, risk management and internal control systems. The Audit Committee comprised 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 had reviewed the unaudited consolidated results of the Group for the nine months ended 30 September 2019 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 had been made.

CORPORATE GOVERNANCE CODE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. The Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices. To the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code for the nine months ended 30 September 2019.

PUBLIC FLOAT

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND QUARTERLY REPORT

The quarter results announcement and quarterly report of the Company for the nine months ended 30 September 2019 are available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.goldenclassicbio.com.

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

Hong Kong, 14 November 2019

As at the date of this report, 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.