

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 2020

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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

COMPLIANCE OFFICER

Ms. Li Qiuyan

COMPANY SECRETARY

Mr. Xiang Dongliang
Mr. Raymond Chi Ho Wong

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Times Media Centre
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Wan Chai
Hong Kong

PRINCIPAL BANKERS

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

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISER AS TO HONG KONG LAWS

Wong, Wan & Partners
(in association with Seyfarth Shaw)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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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 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	82,877	66,205	135,450	134,944
Cost of sales		(43,413)	(37,224)	(73,848)	(79,101)
Gross profit		39,464	28,981	61,602	55,843
Other income		2,804	942	4,001	2,056
Selling and distribution costs		(17,868)	(16,122)	(33,075)	(33,342)
Administrative expenses		(11,665)	(13,080)	(23,159)	(24,277)
Finance costs		(700)	(714)	(1,461)	(1,606)
Profit (loss) before tax		12,035	7	7,908	(1,326)
Income tax expenses	4	(1,525)	(379)	(1,525)	(405)
Profit (loss) for the period	5	10,510	(372)	6,383	(1,731)
Other comprehensive income for the period					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		65	111	137	56
Total comprehensive income (expense) for the period		10,575	(261)	6,520	(1,675)
Earnings (loss) per share Basic and diluted (RMB cents)	6	1.05	(0.04)	0.64	(0.17)

Interim Results

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	151,102	149,904
Right-of-use assets	9	17,844	18,103
Intangible assets		–	–
Deposits paid for acquisition of property, plant and equipment		4,330	5,702
Deferred tax assets		616	620
		173,892	174,329
Current assets			
Inventories		41,340	38,525
Trade and other receivables	10	69,663	72,040
Financial assets at fair value through profit or loss ("FVTPL")	11	41,725	10,972
Bank balances and cash		36,189	80,871
		188,917	202,408
Current liabilities			
Trade and other payables	12	65,265	64,654
Contract liabilities	12	20,484	32,444
Lease liabilities	9	52	62
Tax payable		2,351	1,085
Bank borrowings	13	50,000	60,000
		138,152	158,245
Net current assets		50,765	44,163
Non-current liabilities			
Deferred tax liabilities		–	330
Lease liabilities		–	25
		–	355
Net assets		224,657	218,137
Capital and reserves			
Share capital	14	8,606	8,606
Reserves		216,051	209,531
		224,657	218,137

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Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Capital	Share	Capital	PRC	Translation	Retained	Total
	RMB'000	premium	reserve	statutory	reserve	profits	RMB'000
	RMB'000	RMB'000	RMB'000	reserve	RMB'000	RMB'000	RMB'000
At 1 January 2020 (audited)	8,606	74,386	15	42,898	2,890	89,342	218,137
Profit for the period	-	-	-	-	-	6,383	6,383
Other comprehensive income for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	137	-	137
Total comprehensive income for the period	-	-	-	-	137	6,383	6,520
At 30 June 2020 (unaudited)	8,606	74,386	15	42,898	3,027	95,725	224,657
At 1 January 2019 (audited)	8,606	74,386	15	42,898	2,869	79,748	208,522
Loss for the period	-	-	-	-	-	(1,731)	(1,731)
Other comprehensive income for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	56	-	56
Total comprehensive income (expense) for the period	-	-	-	-	56	(1,731)	(1,675)
At 30 June 2019 (unaudited)	8,606	74,386	15	42,898	2,925	78,017	206,847

Interim Results

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net cash generated from operating activities	690	7,039
INVESTING ACTIVITIES		
Purchase of financial assets at FVTPL	(57,900)	–
Proceeds on disposal of financial assets at FVTPL	29,030	–
Acquisition of property, plant and equipment	(3,087)	(3,257)
Addition in deposit for acquisition of property, plant and equipment	(4,330)	(761)
Others	1,220	1,051
Net cash used in investing activities	(35,067)	(2,967)
FINANCING ACTIVITIES		
Bank borrowings raised	20,000	30,000
Repayment of bank borrowings	(30,000)	(30,000)
Settlement of lease liabilities	(37)	(25)
Others	(482)	(918)
Net cash used in financing activities	(10,519)	(943)
Net (decrease) increase in cash and cash equivalents	(44,896)	3,129
Cash and cash equivalents at beginning of the period	80,871	63,281
Effect of foreign exchange rate changes	214	15
Cash and cash equivalents at end of the period/year, representing bank balances and cash	36,189	66,425

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

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

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

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

The unaudited condensed consolidated interim financial information (“Financial Information”) of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2020 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 (the “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 2019. The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements, except the new or revised standards as described in note 2, were consistent with those applied for the financial statements of the Group for the year ended 31 December 2019.

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

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 2019, except as described below.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“HKFRSs”) and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of Amendments to References to the Conceptual Framework in HKFRS and the amendments to HKFRS in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

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Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

- 1) Oral care products segment reports manufacture and sales of oral care products including functional toothpaste, mouthwash, oral spray and toothbrush.
- 2) Leather care products segment reports manufacture and sales of leather care products including leather shoe care products and leather clothing care products.
- 3) Household hygiene products segment reports manufacture and sales of household hygiene products including surface cleaners, laundry care products, toilet care products and mould proof products.

(a) Segment revenues and results

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

During the six months ended 30 June 2020, all revenue were recognised at a point in time upon delivery.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

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

For the six months ended 30 June 2020 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	71,694	5,711	58,045	135,450
Segment profit	36,401	940	24,261	61,602
Unallocated income				4,001
Unallocated expenses				(56,234)
Finance costs				(1,461)
Consolidated profit before tax				7,908

For the six months ended 30 June 2019 (unaudited)

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

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

For the three months ended 30 June 2020 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	47,498	2,217	33,162	82,877
Segment profit	24,944	472	14,048	39,464
Unallocated income				2,804
Unallocated expenses				(29,533)
Finance costs				(700)
Consolidated profit before tax				12,035

For the three months ended 30 June 2019 (unaudited)

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products	284,279	284,274
Unallocated	78,530	92,463
Total assets	362,809	376,737

Segment liabilities

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products	85,718	97,145
Unallocated	52,434	61,455
Total liabilities	138,152	158,600

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Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

4. INCOME TAX EXPENSES

Income tax in the condensed consolidated statement of profit or loss represents:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
PRC Enterprise Income Tax	1,831	441	1,831	459
Withholding tax on dividend	20	–	20	–
	1,851	441	1,851	459
Deferred tax	(326)	(62)	(326)	(54)
	1,525	379	1,525	405

- 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 six months ended 30 June 2020 (2019: nil) as the Group did not have any assessable profits arising in Hong Kong during both periods.
- 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%.
- One of the Group’s subsidiaries registered in the PRC is recognised as a High and New-technology Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 15% for the six months ended 30 June 2020 (2019: 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 six months ended 30 June 2020 (2019: 5%).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

5. PROFIT(LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Bad debt written-off	-	1,840	-	1,840
Cost of inventories recognised as expenses	43,413	37,224	73,848	79,101
Depreciation of property, plant and equipment	4,693	3,904	8,001	7,958
Depreciation of right-of-use assets	129	225	259	250
Fair value gain on financial assets of FVTPL	(1,074)	-	(1,883)	-
Loss (gain) on disposal of property, plant and equipment	18	-	(23)	-
Interest expense on lease liabilities	1	1	2	1
(Reversal of) provision of impairment loss of trade receivables	(10)	299	(30)	356

6. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit (loss) attributable to owners of the Company	10,510	(372)	6,383	(1,731)

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

6. EARNINGS (LOSS) PER SHARE (Continued)

Number of shares

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	'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 earnings (loss) per share is presented for the six months ended 30 June 2020 and for the corresponding periods in 2019 as the Group had no potential ordinary shares outstanding.

7. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2020 (2019: nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, additions to the Group's property, plant and equipment were approximately RMB9,300,000 (30 June 2019: RMB7,875,000).

9. RIGHT-OF-USE ASSETS

During the six months period ended 30 June 2020, the Group did not enter into new lease agreement for the use of assets with lease term more than 12 months.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

10. TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade and bills receivables	41,389	46,116
Less: allowance for impairment of trade receivables	(519)	(549)
	40,870	45,567
Deposits and other receivables	2,454	1,241
Advances to employees	1,470	1,260
Loan to employees	2,541	3,741
	6,465	6,242
Prepayments	22,588	20,491
Less: allowance for impairment of prepayments	(260)	(260)
	22,328	20,231
	69,663	72,040

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Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 – 30 days	38,339	42,987
31 – 60 days	1,195	1,276
61 – 90 days	293	569
Over 3 months but less than 6 months	961	735
Over 6 months but less than 1 year	82	–
	40,870	45,567

Movement in the impairment on trade receivables:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At beginning of period/year	549	470
Reversal of impairment loss for the period/year	(30)	–
Impairment loss for the period/year	–	79
At end of period/year	519	549

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

11. FINANCIAL ASSETS AT FVTPL

As at 30 June 2020, 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 techniques and key inputs	At as 30 June 2020 RMB’000	As at 31 December 2019 RMB’000	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Financial assets at FVTPL							
Wealth management products	Level 3	Discounted cash flow method with estimated yield rate as the key input	41,725	10,972	The discount rate	8.2% – 9.8% (2019: 9.8%)	The higher the discount rate, the lower the fair value

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

	RMB’000
At 31 December 2019	10,972
Purchases	57,900
Disposal	(29,030)
Fair value gain recognised in other income	1,883
At 30 June 2020	41,725

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

12. TRADE AND OTHER PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade and bills payables	48,485	48,595
Accruals and other payables	16,270	15,060
Payables for property, plant and equipment	510	999
	65,265	64,654
Contract liabilities	20,484	32,444

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 – 30 days	43,264	39,985
31 – 60 days	3,221	4,465
61 – 90 days	445	1,241
Over 3 months but less than 6 months	629	1,243
Over 6 months but less than 1 year	404	847
Over 1 year but less than 2 years	303	388
Over 2 years but less than 5 years	219	426
	48,485	48,595

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

13. BANK BORROWINGS

The Group obtained new and repaid bank borrowings of RMB20,000,000 (31 December 2019: RMB60,000,000) and RMB30,000,000 (31 December 2019: RMB60,000,000) respectively during the six months ended 30 June 2020.

14. SHARE CAPITAL

	Number of shares '000	Nominal value of ordinary shares HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2019 (audited), 31 December 2019 (audited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2019 (audited), 31 December 2019 (audited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	1,000,000	10,000
Equivalent to RMB'000		8,606

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted but not provided for	7,438	2,885

16. RELATED PARTY TRANSACTIONS

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

(a) During the six months ended 30 June 2020, the Group rented an office premises from Ms. Li Qiuyan, a director of the Company, at nil consideration (2019: nil).

(b) During the six months ended 30 June 2020, the Group incurred advertising expenses payable to a company controlled by the spouse of Mr. Tong Xing, a director of the Company, of nil (2019: RMB117,000).

(c) Key management compensation

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

	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
Salaries and other benefits in kind	756	714
Retirement benefits scheme contributions	66	72
	822	786

BUSINESS REVIEW

For the six months ended 30 June 2020 (the “Period”), the Group recorded a turnover of approximately RMB135.5 million, increased by approximately 0.4% as compared to the six months ended 30 June 2019 (the “Last Corresponding Period”). The Group recorded a net profit of approximately RMB6.5 million in the Period compared to the net loss of RMB1.7 million in the Last Corresponding Period, representing an increase of 489.3%. During the Period, the Group’s net profit margin was approximately 4.7% as compared to the net loss margin of approximately 1.3% in the Last Corresponding Period, representing an increase of approximately 6.0%. On the other hand, the Group’s overall gross profit margin reached approximately 45.5% in the Period, representing an increase of approximately 4.1% from approximately 41.4% in the Last Corresponding Period. The growth in gross profit margin was primarily thanks to the increased proportion of the Group’s high-margin household hygiene products.

During the second half of the Period, the turnover of the Group’s oral care products and household hygiene products experienced a rapid growth of approximately 10.5% and 59.8% respectively compared to the second half of the Last Corresponding Period. However, held back by the weak performance in first half of the Period, the overall turnover of the oral care products for the Period decreased 11.7% compared with the Last Corresponding Period, while the overall turnover of the household hygiene products increased 30.4% compared with the Last Corresponding Period. The Group’s strong performance in the second half of the Period has been benefited from the successful implementation of the management’s marketing strategy catered for consumers under the novel coronavirus (COVID-19) pandemic environment. In particular, it is worth noting that the Group’s liquid disinfectant products with virus and bacteria killing effect experienced soaring market demands due to the consumers’ rising awareness of personal and household hygiene, which greatly contributed to the enhancement of the Group’s revenue.

On the other hand, due to the continuously shrinking market demand for leather care products and the enhanced performance of the Group’s oral care products and household hygiene products, the Group’s leather care segment products only contributed to 4.2% of the Group’s total revenue, representing a gross profit margin of 16.5% whereas the gross profit margin of leather care products in the Last Corresponding Period was 22%.

During the Period, the Group utilized new retail channels, such as commissioning Internet influencers to promote and sell the Group’s products to expand its patronage and customer base. The Directors believed that diversified marketing means will be beneficial to increasing the sales volumes of the Group’s products.

Business Review and Prospects

PROSPECTS AND OUTLOOKS

The outbreak of COVID-19 in China and on a global scale has triggered unprecedented disruptions in business operations and to the economy. The ramification and impact of the pandemic is still manifesting not only in the loss of human lives but in the disruption to economic and social activities in the markets that the Group operates in. Despite the weak performance of the general economy in the first half of the Period, business environment of China has gradually recovered in the second half of the Period. As a personal and household hygiene products manufacturer, the Group has been taking all necessary actions to leverage on opportunities brought by COVID-19. Clinical study reports published by authoritative medical institutions such as Shanghai Institute of Stomatology (上海市口腔醫學研究所) have shown that FE enzyme, which is the core patent technology applied to the Group's products, have biological sterilization effects. The Directors believe that with strengthened marketing campaign emphasizing the sterilization function of the Group's FE enzyme products, these products will become increasingly popular among consumers.

The Group has been closely monitoring the market conditions and taking proactive measures in responding to the challenges under the COVID-19 situation. For example, the Group has taken strict epidemic prevention measures to ensure the Group can keep operating in normal course. Further, the Group signed a cooperation agreement with Jiangnan University, a prestigious research institution in the field of light technology and engineering, to jointly develop environmental friendly household chemical products and antibacterial agents, to further enhance the functions of the Group's products. Thirdly, the Group has also been strengthening its E-Commerce and new retail models with a view to create Shareholders' value.

Management Discussion and Analysis

RESULTS OF OPERATION

The Group's turnover for the Period was approximately RMB135.5 million, representing a rise of 0.4% as compared to approximately RMB134.9 million for the Last Corresponding Period. During the Period, the Group incurred a profit attributable to owners of the Company of approximately RMB6.5 million, while the Group incurred a net loss of approximately RMB1.6 million for the Last Corresponding Period. The basic earnings per share of the Group was RMB0.64 cents for the Period compared to the basic loss per share of RMB0.17 cents for the Last Corresponding Period.

Turnover

The Group recorded a turnover of approximately RMB135.5 million for the Period, indicating a growth of 0.4% as compared to RMB134.9 million for the Last Corresponding Period. The enhanced turnover was mainly due to the increased sales volume of the Group's household hygiene products from approximately RMB44.5 million for the Last Corresponding Period to RMB58.0 million for the Period, as a result of the consumers' growing demand and enhanced awareness for personal and household hygiene under the COVID-19 environment. The sales volume of the Group's oral care products gradually returned to the track of steady growth in the second quarter of the year, result in a 10.5% growth rate compared to the second half of the Last Corresponding Period.

The turnover of the Group's leather care products was reduced by approximately RMB3.5 million or 38.2%, from approximately RMB9.2 million for the Last Corresponding Period to approximately RMB5.7 million for the Period. The decline was mainly due to the reduced usage of leather care products by the consumers.

Cost of sales

The Group's cost of sales decreased from approximately RMB79.1 million for the Last Corresponding Period to approximately RMB73.8 million for the Period, signifying a decrease of approximately RMB5.3 million or 6.6%, which was mainly thanks to the increased sales volume of the Group's high-margin household hygiene products.

Gross profit and gross profit margin

The Group's gross profit experienced an increase of approximately RMB5.8 million or 10.3% between the Last Corresponding Period and the Period, from approximately RMB55.8 million to RMB61.6 million. Similarly, the Group's gross profit margin for the Period (45.5%) showed an improvement of 4.1% as compared to the Last Corresponding Period (41.4%), attributed by the increased sales of the Group's high margin household hygiene products.

Selling and distribution costs

The selling and distribution costs decreased by RMB0.3 million or approximately 0.8%, from approximately RMB33.3 million for the Last Corresponding Period to approximately RMB33.1 million for the Period. The decrease mainly attributable to the reduced costs of sales personnel during the Period.

Management Discussion and Analysis

Administrative expenses

For the Period, approximately RMB23.2 million of administrative expenses were incurred as compared to RMB24.3 million for the Last Corresponding Period. This figure amounted to a decrease of approximately RMB1.1 million or 4.6%, which was mainly due to the decreased staff costs, legal and professional fees, and business reception expenses.

Finance costs

The interest expenses incurred by the Group for the Period was approximately RMB1.4 million, showing a reduction of approximately RMB0.1 million or 9.0% as compared to approximately RMB1.6 million for the Last Corresponding Period. This was mainly due to the decreased average loan amounts for the Period as compared to the Last Corresponding Period.

Profit for the Period

As a result of the foregoing, we incurred a net profit of RMB6.4 million for the Period, representing a difference of RMB8.1 million or 468.7% as compared to the net loss of approximately RMB1.7 million for the Last Corresponding Period. Meanwhile, the net profit margin for Period was approximately 4.7%, representing a change of approximately 6.0% as compared to 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 in the Group on 30 June 2020 was approximately RMB224.7 million (RMB218.1 million on 31 December 2019). The Group owned current assets of approximately RMB188.9 million (RMB202.4 million on 31 December 2019) and current liabilities of approximately RMB138.2 million (RMB158.2 million on 31 December 2019). The current ratio was 1.37 on 30 June 2020 and 1.28 on 31 December 2019, respectively.

During the Period, the Group generally financed its operations with internally generated cash flow and credit facilities provided by its principal banks in China. As at 30 June 2020, the Group had outstanding bank borrowings of approximately RMB50.0 million (RMB60.0 million on 30 June 2019). These bank borrowings were secured by certain properties and right-of-use asset owned by the Group. As at 30 June 2020, the Group maintained bank balances and cash of approximately RMB36.2 million (RMB80.9 million on 30 June 2019). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was -0.06 and 0.10 as at 30 June 2020 and 31 December 2019, respectively. The Group's gearing ratio (total bank borrowings over shareholders' equity) was 22.3% and 27.5% as at 30 June 2020 and 31 December 2019 respectively.

Management Discussion and Analysis

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

CAPITAL COMMITMENTS

Save as disclosed above, as at 30 June 2020, the Group had no other material capital commitments.

CHARGE OVER ASSETS OF THE GROUP

As at 30 June 2020, bank borrowings were secured by certain buildings and right-of-use asset in aggregate of RMB18.5 million (approximately RMB19.8 million on 31 December 2019). As at 30 June 2020 and 31 December 2019, bill payables were secured by trademarks with carrying amount of nil.

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

There has been no material acquisitions or disposals of subsidiaries or affiliated companies of the Group for the Period.

During the period from 2 January 2020 to 10 March 2020, the Group subscribed for wealth management products for an aggregate principal amount of RMB52.9 million (the “Subscriptions”) offered by a group of affiliated institutions which comprises of ZZ International Investment Holdings Limited* (中植國際投資控股有限公司) (“ZZ Investment Holdings”), ZZ High-Tech (Beijing) Investment Co., Ltd. (“ZZ High-Tech Investment”)* (中植高科(北京)投資有限公司) and Beijing Zhixin Fund Sales Co., Ltd.* (北京植信基金銷售有限公司) (“Beijing Zhixin”) (collectively, the “ZZ Group”). A summary of the Subscriptions are set out below:

2020 Private Fund Raising Plan

- 1) Subscription of a wealth management product involving investment of RMB30 million to ZZ Investment Holdings for a term of 6 months on 2 January 2020, the subscription of which has been redeemed on 14 July 2020;
- 2) Subscription of a wealth management product involving investment of RMB10 million to ZZ High-Tech Investment for a term of 12 months on 17 January 2020.

Medium and Short Term Bond Fund

- 3) Subscription of a wealth management product involving investment of RMB5 million to Beijing Zhixin on 13 January 2020, the subscription amount of which has been redeemed on 23 March 2020;
- 4) Subscription of a wealth management product involving investment of RMB7.9 million to Beijing Zhixin on 10 March 2020, the subscription amount of which has been redeemed on 23 March 2020 (collectively the “WM Products”).

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2020, the Group had 275 full-time employees. The Group had maintained good relationship with its employees, where it has been providing them with training programs, 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 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 does not enter into any agreement to hedge against the foreign exchange risk. The Company will pay dividends in HKD if dividends are declared and it will continue to monitor the fluctuation of RMB closely and will introduce suitable measures as and when appropriate.

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 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have taken under such provisions of the SFO), or be required to be entered in the register referred to therein pursuant to section 352 of the SFO, or be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by the Directors, are as follows:

Long position in the ordinary shares of the Company

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

Notes:

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

Other Information

Long position in the shares of the associated corporation

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

Save as disclosed above, none of the Directors and the chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required to be entered in the register referred to therein pursuant to section 352 of the SFO, or which would be required to notify the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

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

As at 30 June 2020, so far as the Directors are aware, the following persons (not being Directors or the chief executive of the Company) had interests and/or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company pursuant to provisions in Divisions 2 and 3 of Part XV of the SFO, and/or recorded in the register which is required to be kept in accordance with section 336 of the SFO, and/or they have not been directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings:

Long position in the ordinary shares of the Company

Name	Capacity/nature of interest	Number of shares or underlying shares	Approximate percentage of interest in the Company
ChongBo Mary	Beneficial owner	575,625,000	57.56%
Tong Xing Holding	Beneficial owner	106,875,000	10.69%
Ms. Zhang Li	Interest of spouse (Note 1)	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 June 2020, the Directors are not aware of any other persons who had interests and/or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company pursuant to provisions in Divisions 2 and 3 of Part XV of the SFO, and/or recorded in the register which is required to be kept in accordance with section 336 of the SFO, and/or who had been directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") has been adopted pursuant to the written resolutions of the shareholders of the Company passed on 17 June 2016. The purpose of the Scheme is to enable the Company to grant options to reward or provide incentives to selected participants for their contribution to the Company. The Scheme will remain in force for a period of 10 years from the date of adoption of such scheme and will expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company at the general meeting. No share options have been granted pursuant to the Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the six months ended 30 June 2020, had any rights been granted to any Directors or their spouse or children (under 18 years of age) to acquire benefits by means of acquisition of shares or debentures of the Company, or had any such rights been exercised by them, or had the Company, its holding company, any of its subsidiaries and fellow subsidiaries been a party to any arrangements enabling the Directors to acquire such rights from any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020 and up to the date of this report.

Other Information

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for Directors' securities transactions with terms no less exacting than the required standard of dealings pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules. All members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard of dealings and the code of conduct for the six months ended 30 June 2020 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"), have entered into a deed of non-competition on 17 June 2016 (the "Deed of Non-competition"). The details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus, while the non-competition undertaking has become effective from the date of listing of the shares of the Company on GEM (the "Listing Date"). As far as the Directors are aware, as at the date of this 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 have any interests in a business which competes or may compete with the business of the Group or have any other conflict of interest with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

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

AUDIT COMMITTEE

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

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2020 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.

During the period from 2 January 2020 to 10 March 2020, the Group conducted the Subscription with the ZZ Froup. As one or more of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the Subscriptions in aggregate exceeds 25% but is less than 100%, the Subscriptions, when aggregated, constitute a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and are therefore subject to reporting, announcement and shareholders’ approval requirements pursuant to Chapter 19 of the GEM Listing Rules.

On 20 May 2020, the Company obtained a confirmation from the Company’s controlling Shareholders ChongBo Mary Investment Limited and Tong Xing Holding Group Limited that they have approved, confirmed and ratified the Subscriptions in lieu of holding a general meeting of the Company in accordance with Rule 19.44 of the GEM Listing Rules. However, by failing to announce the Subscriptions in a timely manner, dispatch circulars to the Shareholders and the Exchange, obtaining the Shareholders’ approval before completing the Subscriptions and obtaining written confirmation from the controlling Shareholders in lieu of holding a general meeting before completing the Subscriptions in accordance with the Listing Rules, the Company has inadvertently and unintentionally breached Rules 19.34, 19.38, 19.41 of the GEM Listing Rules. Following discovery of the non-compliance, the Company has taken various remedial measures to prevent the recurrence of similar incidents in the future, the details of which are set out in the Company’s announcement dated 1 June 2020.

Save as disclosed above, and to the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code for the six months ended 30 June 2020.

Other Information

PUBLIC FLOAT

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement and interim report of the Company (for the six months ended 30 June 2020) are available for viewing on the Stock Exchange website at www.hkexnews.hk and on Company website at www.goldenclassicbio.com.

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

Hong Kong, 14 August 2020

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.