

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 2020

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

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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.

Third Quarterly Results

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and nine months ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	75,443	80,125	210,893	215,069
Cost of sales		(46,736)	(47,130)	(120,584)	(126,231)
Gross profit		28,707	32,995	90,309	88,838
Other income		687	1,231	4,688	3,287
Selling and distribution costs		(15,457)	(15,883)	(48,532)	(49,225)
Administrative expenses		(13,703)	(10,124)	(36,862)	(34,401)
Finance costs		(771)	(852)	(2,232)	(2,458)
(Loss) profit before tax		(537)	7,367	7,371	6,041
Income tax expenses	4	(214)	(884)	(1,739)	(1,289)
(Loss) profit for the period	5	(751)	6,483	5,632	4,752
Other comprehensive (expense) income for the period					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		(373)	187	(236)	243
Total comprehensive (expense) income for the period attributable to owners of the Company		(1,124)	6,670	5,396	4,995
(Loss) earnings per share					
Basic and diluted (RMB cents)	6	(0.08)	0.65	0.56	0.48

Third Quarterly Results

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2020

	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 2020 (audited)	8,606	74,386	15	42,898	2,890	89,342	218,137
Profit for the period	-	-	-	-	-	5,632	5,632
Other comprehensive expense for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	(236)	-	(236)
Total comprehensive (expense) income for the period	-	-	-	-	(236)	5,632	5,396
At 30 September 2020 (unaudited)	8,606	74,386	15	42,898	2,654	94,974	223,533
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

Third Quarterly Results

Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 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 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 (“Financial Information”) of the Company and its subsidiaries (collectively as the “Group”) for the nine months ended 30 September 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 (“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 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 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 (“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 2019, except as described below.

Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 HKFRS 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 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 condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

Third Quarterly Results

Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenues and results

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

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

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

For the nine months ended 30 September 2020 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	109,741	10,616	90,536	210,893

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

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Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

For the three months ended 30 September 2020 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	38,047	4,905	32,491	75,443

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

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.

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Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 2020

4. INCOME TAX EXPENSES

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	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
PRC Enterprise Income Tax	1,149	875	2,980	1,334
Withholding tax on dividend	-	-	20	-
	1,149	875	3,000	1,334
Deferred tax	(935)	9	(1,261)	(45)
	214	884	1,739	1,289

- Pursuant to the rules and regulations of the British Virgin Islands ("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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2020 (2019: 5%).

Third Quarterly Results

Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 2020

5. (LOSS) PROFIT FOR THE PERIOD

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

	Three months ended 30 September		Nine months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest expense on lease liabilities	1	1	3	2
Depreciation of right-of-use assets	130	129	388	379
Depreciation of property, plant and equipment	3,739	4,034	11,740	11,992
Fair value gain on financial assets at FVTPL	(177)	(546)	(2,060)	(546)
Loss on disposal of property, plant and equipment	48	109	71	109
Cost of inventories recognised as expenses	46,736	47,130	120,584	126,231
Bad debt written-off	–	–	–	1,840
Provision (reversal) of impairment loss of trade receivables	3	(55)	(27)	301

Third Quarterly Results

Notes to the Condensed Consolidated Financial Information

For the nine months ended 30 September 2020

6. (LOSS) EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) profit attributable to owners of the Company	(751)	6,483	5,632	4,752

Number of shares

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

7. DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2020 (2019: nil).

BUSINESS REVIEW

For the nine months ended 30 September 2020 (the “Period”), the Group recorded a turnover of approximately RMB210.9 million, representing a mild decrease of approximately 1.9% as compared to the nine months ended 30 September 2019 (the “Last Corresponding Period”). In the meantime, during the Period the Group generated a net profit of approximately RMB5.6 million, reflecting an increase of approximately 18.5% as compared to the Last Corresponding Period. The Group’s net profit margin was approximately 2.7% for the Period, while it recorded a net profit margin of 2.2% for the Last Corresponding Period, representing an improvement of approximately 0.5 percentage points. In addition, the Group’s overall gross profit margin increased from approximately 41.3% for the Last Corresponding Period to approximately 42.8% for the Period, representing an improvement of approximately 1.5%.

Benefiting from the enhanced health awareness of the Chinese consumers, during the Period, the turnover of our household hygiene products saw a substantial enhancement of approximately 16.4% as compared with the Last Corresponding Period. The turnover of our oral care products for the Period witnessed a decrease of approximately 10.7% as compared with the Last Corresponding Period in 2019, as the sales performance of our oral care products was materially and adversely affected by the COVID-19 pandemic in the first quarter of 2020. Due to shrinking market demand in leather care products, we experienced a decrease of approximately 35.7% in the turnover of our leather care products during the Period as compared with the Last Corresponding Period, which held back the Group from reaching greater financial performance in the Period.

PROSPECTS AND OUTLOOKS

With effective prevention and control of the COVID-19 pandemic and full resumption of production in the PRC, the gross domestic product (GDP) of the PRC increased by 4.9% in the third quarter of 2020 as compared to the corresponding period last year, continuing the positive trend of steady recovery in the second quarter. During the Period, thanks to the strong performance of the Group’s household hygiene segment, and the integration and synergy of internal resources of the Group, the result of the Group for the Period exceeded the Last Corresponding Period.

Business Review and Prospects

In the fourth quarter of 2020, the Group is still confronted with unstable economic environment as a result of uncertainties over international relationships and concerns of strengthened domestic pandemic prevention and control measures. Along with the challenges, the Group also noted that as the consumers awareness for the well-being of dental health and household hygiene have been increasing, the demand for functional toothpaste and household hygiene products are also expected to grow. Given that the Group's current production capacity for the household hygiene products has been fully utilized, the Group will accelerate the renovation of the household hygiene production workshop to increase the production capacity of the Group's household hygiene products. The Company expects that the renovated workshop will be put into use in the next few months. In the fourth quarter of 2020, the Group will also broaden the ways of marketing. For example, the Group has decided to promote its toothpaste products through live video streaming. The Directors believed it will help the Company to expand its market share.

Management Discussion and Analysis

RESULTS OF OPERATION

Our turnover for the Period was approximately RMB210.9 million, representing a decrease of 1.9% as compared to approximately RMB215.1 million for the Last Corresponding Period. During the Period, the Group incurred a net profit of approximately RMB5.6 million, whereas the net profit for the Last Corresponding Period was approximately RMB4.8 million. The basic earnings per share was RMB0.56 cents for the Period, while the basic earnings per share was RMB0.48 cents for the Last Corresponding Period.

Turnover

The Group recorded a total turnover of approximately RMB210.9 million for the Period, representing a decrease of approximately 1.9% as compared to approximately RMB215.1 million for the Last Corresponding Period. The decrease in turnover was mainly resulted from a decrease in the turnover of oral care products by approximately RMB13.2 million or 10.7%, from approximately RMB122.9 million for the Last Corresponding Period to approximately RMB109.7 million for the Period, which was mainly attributable to the poor first quarterly result for the oral care products segment as a result of the COVID-19 pandemic.

In the meanwhile, the sustained increase in sales of household hygiene products had contributed to our overall growth. Specifically, the turnover of our household hygiene products increased by approximately RMB14.9 million or 19.7%, from approximately RMB75.7 million for the Last Corresponding Period to approximately RMB90.5 million for the Period. The increase was mainly thanks to the soaring market demand from the Chinese consumers as a result of enhanced awareness of household hygiene since the outbreak of COVID-19.

Our leather care products recorded a decrease of approximately RMB5.9 million or 35.7%, from approximately RMB16.5 million for the Last Corresponding Period to approximately RMB10.6 million for the Period. The decline was mainly due to the lower usage of leather care products by the consumers.

Cost of sales

Cost of sales decreased from approximately RMB126.2 million for the Last Corresponding Period to approximately RMB120.6 million for the Period, representing a decrease of approximately RMB5.6 million or 4.5%. The decrease in cost of sales mainly reflected the decreased sales volume of the oral care products.

Management Discussion and Analysis

Gross profit and gross profit margin

Gross profit increased from approximately RMB88.8 million for the Last Corresponding Period to approximately RMB90.3 million for the Period, representing an increase of approximately RMB1.5 million or 1.7%. The gross profit margin increased to 42.8% during the Period, representing an increase of 1.5 percentage points as compared to 41.3% for the Last Corresponding Period. The increases were mainly attributable to the growing sales of personal hygiene products, which generate higher gross profit margin compared with the Group's other product segments.

Selling and distribution costs

Selling and distribution costs incurred for the Period were approximately RMB48.5 million, reflecting a decrease of approximately RMB0.7 million or approximately 1.4% as compared to approximately RMB49.2 million for the Last Corresponding Period. The decrease was driven by the reduced costs of temporary sales personnel during the Period.

Administrative expenses

Administrative expenses incurred for the Period were approximately RMB36.8 million, representing an increase of approximately RMB2.5 million or approximately 7.2% as compared to approximately RMB34.4 million for the Last Corresponding Period. The increase was mainly result from the increase of administrative staff cost and research and development expenses.

Finance costs

Interest expenses incurred for the Period were approximately RMB2.2 million which decreased by approximately RMB0.2 million or approximately 9.2% as compared to approximately RMB2.4 million for the Last Corresponding Period.

The decrease in the Period was driven by the decrease in the average lending rate.

Profit for the Period

As a result of the foregoing, we incurred a net profit of RMB5.6 million for Period, representing an increase of RMB0.9 million or 18.5% as compared to the net profit of approximately RMB4.7 million for the Last Corresponding Period. Net profit margin for the Period was approximately 2.7%, representing an increase of approximately 0.5 percentage points as compared to the net profit margin of 2.2% of the Last Corresponding Period.

Management Discussion and Analysis

DIVIDEND

The Board has determined not to declare a dividend for the Period.

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, the Group subscribed for wealth management products for an aggregate principal amount of RMB52.9 million 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”), and structured deposit product for an aggregate principal amount of RMB20 million offered by the Bank of China (the “Subscriptions”). 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”).

Structured Deposit Product

- 5) Subscription of a structured deposit product of RMB20 million provided by Bank of China on 27 August 2020 for a term of 92 days, redeemable on 1 December 2020.

* English names are translated for identification purpose only

Other Information

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 2020, 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 (<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, 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.
- 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 2020, 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 (Note 1)	106,875,000	10.69%

Note:

- 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.

Other Information

Save as disclosed above, as at 30 September 2020, 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 2020 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 2020 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 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 (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 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 Group. 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.

Other Information

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 nine months ended 30 September 2020.

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 2020 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, 13 November 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.