

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



First Quarterly Report 2021

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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.

First Quarterly Results

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2021 (the “Period”) together with comparative figures for the three months ended 31 March 2020 (the “Last Corresponding Period”) as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 31 March 2021

	Notes	Three months ended 31 March	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Turnover	2	68,259	52,573
Cost of sales		(41,249)	(30,435)
Gross profit		27,010	22,138
Other income		212	1,197
Selling and distribution costs		(20,390)	(15,207)
Administrative expenses		(10,292)	(11,494)
Finance costs		(220)	(761)
Loss before tax		(3,680)	(4,127)
Income tax credit	3	735	–
Loss for the period	4	(2,945)	(4,127)
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		250	72
Total comprehensive expense for the period attributable to owners of the Company		(2,695)	(4,055)
Loss per share			
Basic and diluted (RMB cents)	5	(0.29)	(0.41)

First Quarterly Results

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2021

	Share capital	Share premium	Capital reserve	PRC statutory reserve	Translation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	8,606	74,386	15	42,898	2,111	107,500	235,516
Loss for the period	-	-	-	-	-	(2,945)	(2,945)
Other comprehensive income for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	250	-	250
Total comprehensive income/(expenses) for the period	-	-	-	-	250	(2,945)	(2,695)
At 31 March 2021 (unaudited)	8,606	74,386	15	42,898	2,361	104,555	232,821
At 1 January 2020 (audited)	8,606	74,386	15	42,898	2,890	89,342	218,137
Loss for the period	-	-	-	-	-	(4,127)	(4,127)
Other comprehensive income for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	72	-	72
Total comprehensive income/(expenses) for the period	-	-	-	-	72	(4,127)	(4,055)
At 31 March 2020 (unaudited)	8,606	74,386	15	42,898	2,962	85,215	214,082

First Quarterly Results

Notes to the Condensed Consolidated Financial Information

For the three months ended 31 March 2021

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 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 financial information (“Financial Information”) of the Company and its subsidiaries (collectively as the “Group”) for the three months ended 31 March 2021 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 2020. The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2020.

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. 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.

Notes to the Condensed Consolidated Financial Information

For the three months ended 31 March 2021

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

During the three months ended 31 March 2021, all revenue were recognised at a point in time upon delivery.

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

For the three months ended 31 March 2021 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	29,015	5,679	33,565	68,259

For the three months ended 31 March 2020 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	24,196	3,494	24,883	52,573

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Notes to the Condensed Consolidated Financial Information

For the three months ended 31 March 2021

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenues 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.

3. INCOME TAX CREDIT

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

	Three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	–	–
Deferred tax	735	–
	735	–

- Pursuant to the rules and regulations of 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 three months ended 31 March 2021 (2020: nil) as the Group did not have any assessable profits arising in Hong Kong.
- No provision for PRC Enterprise Income Tax had been made for the three months ended 31 March 2021 (2020: nil) as the Group did not have any assessable profits arising in PRC.
- Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries registered in the PRC is 25%.

Notes to the Condensed Consolidated Financial Information

For the three months ended 31 March 2021

3. INCOME TAX CREDIT (Continued)

- (e) 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 three months ended 31 March 2020.
- (f) 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 three months ended 31 March 2021 (2020: 5%).

4. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Three months ended	
	31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	3,402	3,308
Depreciation of right-of-use assets	126	129
Cost of inventories recognised as expenses	41,249	30,435
Interest expenses on lease liabilities	–	1

First Quarterly Results

Notes to the Condensed Consolidated Financial Information

For the three months ended 31 March 2021

5. LOSS PER SHARE

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

	Three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	(2,945)	(4,127)

Number of shares

	Three months ended 31 March	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue	1,000,000	1,000,000

Note: No diluted loss per share is presented For the three months ended 31 March 2021 and for the corresponding periods in 2020 as the Group had no potential ordinary shares outstanding.

6. DIVIDEND

The Directors of the Group do not recommend the payment of any dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: nil).

BUSINESS REVIEW

For the Period, the Group recorded a turnover of approximately RMB68.3 million, representing an increase of approximately 29.8% compared to the Last Corresponding Period; and a net loss of approximately RMB2.9 million, reflecting a difference of approximately RMB1.2 million or 28.6% as compared to the net loss of approximately RMB4.1 million in the Last Corresponding Period. The Group's net loss margin was approximately 4.3% during the Period, representing a difference of approximately 3.6%, compared to net loss margin of approximately 7.9% in the Last Corresponding Period. On the other hand, the Group's overall gross profit margin decreased from approximately 42.1% for the Last Corresponding Period to approximately 39.6% for the Period.

Opportunities and challenges coexisted in the past quarter. On one hand, the Group benefited from China's effective control of the pandemic with the Group's turnover recovering and achieving growth compared to the Last Corresponding Period. During the Period, the marketing expenses grew in order to seize market opportunities, and the turnover of household hygiene products witnessed rapid growth in the past several years. On the other hand, the Group suffered from the soaring prices of international bulk goods, the prices of raw materials and packaging materials during the Period, and the gross profit margin decreased to 39.6%, representing a 2.5% decrease as compared to 42.1% for the Last Corresponding Period.

PROSPECTS AND OUTLOOKS

Looking forward, the disruption brought by COVID-19 still lingers, but with the joint effort made by people worldwide, it is expected that both the economy and consumer spending power will achieve a higher growth rate, and the Directors have confidence to overcome the challenges and maintain a sustainable business performance for its shareholders.

To cope with the ever growing price of raw materials and packaging materials, the management has developed a series of strategies for the Group. Firstly, the Group will increase raw material and packaging material inventory appropriately. Secondly, the Group will increase R&D efforts, to launch more high value added products.

Last but not least, the Group's upgraded household hygiene product workshop, which is equipped with highly automated product lines, is expected to be put into use in the third quarter of 2021. It is expected that this will enable the Group to meet the ever increasing demand of the Group's household hygiene products.

Management Discussion and Analysis

RESULTS OF OPERATION

The turnover for the Period was approximately RMB68.3 million, representing an increase of approximately 29.8%, as compared to approximately RMB52.6 million for the Last Corresponding Period. During the Period, the Group incurred a net loss of approximately RMB2.9 million, as compared to the net loss of approximately RMB4.1 million for the Last Corresponding Period. The basic loss per share was RMB0.29 cents for the Period while the basic loss per share was RMB0.41 cents for the Last Corresponding Period.

Turnover

The Group recorded a total turnover of approximately RMB68.3 million for the Period, which represented an increase of approximately RMB15.7 million or 29.8% as compared to approximately RMB52.6 million for the Last Corresponding Period. The higher turnover was mainly due to the increased turnover (by approximately RMB8.7 million or 34.9%) of household hygiene products from approximately RMB24.9 million for the Last corresponding Period to RMB33.6 million for the Period. The turnover of oral care products also improved by approximately RMB4.8 million on 19.9% to approximately RMB29.0 million for the Period, as compared to approximately RMB24.2 million for the Last Corresponding Period. The higher turnover of household hygiene products and oral care products was mainly attributable to the Group attaching importance and making great effort to develop the two aforementioned segments. Turnover of the Group's leather care products increased by approximately RMB2.2 million or 62.5% to approximately RMB5.7 million for the Period, as compared with approximately RMB3.5 million for the Last corresponding period. The increment was mainly due to the recovery from an extremely low base in the Last Corresponding Period, which was seriously affected by COVID-19.

Cost of sales

Cost of sales increased from approximately RMB30.4 million for the Last Corresponding Period to approximately RMB41.2 million for the Period, demonstrating an increase of approximately RMB10.8 million or 35.5%. The increase mainly reflected the increased sales volume of products as well as the rise in the price of raw materials and packaging materials.

Gross profit and gross profit margin

Gross profit increased from approximately RMB22.1 million for the Last Corresponding Period to approximately RMB27.0 million for the Period, representing an increase of approximately RMB4.9 million or 22.0%. The gross profit margin decreased to 39.6%, representing a 2.5% decrease as compared to 42.1% for the Last Corresponding Period. The decrease was mainly attributed to the rise in the price of raw materials and packaging materials.

Management Discussion and Analysis

Selling and distribution costs

Selling and distribution expenses incurred for the Period were approximately RMB20.4 million, resulting in an increase of approximately RMB5.2 million or approximately 34.1%, as compared to approximately RMB15.2 million for the Last Corresponding Period, which mainly reflected the growth in the costs of marketing expenses in order to seize market opportunities.

Administrative expenses

Administrative expenses incurred for the Period were approximately RMB10.3 million, representing a decrease of approximately RMB1.2 million or approximately 10.5%, as compared to approximately RMB11.5 million for the Last Corresponding Period. The decrease mainly resulted from the majority of plant repair taking place during COVID-19 in the Last Corresponding Period, resulting in substantially higher expenses for plant repair compared to the Period.

Finance costs

Interest expenses incurred for the Period were approximately RMB0.2 million, which decreased by approximately RMB0.5 million or approximately 71.1% as compared to approximately RMB0.8 million for the Last Corresponding Period. This mainly arose from the decreased average loan amounts for the Period as compared to the Last Corresponding Period.

Loss for the period

As a result of the foregoing, we incurred a net loss of RMB2.9 million for the Period, representing a difference of approximately RMB1.2 million or 28.6% as compared to the net loss of approximately RMB4.1 million for the Last Corresponding Period. Net loss margin for the Period was approximately 4.3%, representing a difference of approximately 3.5% as compared to the net loss margin of 7.9% for the Last Corresponding Period.

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

During the Period on 19 January 2021, the Group redeemed the subscription of a wealth management product involving investment of RMB10 million in ZZ High-Tech (Beijing Investment Co., Ltd)* (中植高科(北京)投資有限公司) for a term of 12 months on 17 January 2020. Save as disclosed under this report, there were no other significant investments held, nor material acquisitions or disposals of subsidiaries and affiliated companies during the three months ended 31 March 2021 and there are no plans for material investments or capital assets as at 31 March 2021.

* English names are translated for identification purposes only

Other Information

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

As at 31 March 2021, 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:

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 interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2021, so far as the Directors are aware, the following persons (not being Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the ordinary shares of the Company

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

Other Information

Note:

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

Save as disclosed above, as at 31 March 2021, the Directors are not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") 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 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 Period 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 Period 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 Period and up to the date of this report.

NON-COMPETITION UNDERTAKINGS

Each of the controlling shareholders of the Company, namely Ms. Li and ChongBo Mary (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 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.

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 Period and this report with the management and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures 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 Period.

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 RESULTS ANNOUNCEMENT AND QUARTERLY REPORT

The quarter results announcement and quarterly report of the Company for the Period 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.

For and on behalf of
China Golden Classic Group Limited
Li Qiuyan
Chairman

Hong Kong, 14 May 2021

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.