

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 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.

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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

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE IN THE PRC

No. 34, 35 Yingbin Road,
Xiake Town, Jiangyin City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Times Media Centre
133 Wan Chai Road
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

Seyfarth Shaw

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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Hong Kong

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 2021

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Revenue | 3 | 60,184 | 82,877 | 128,443 | 135,450 |
| Cost of sales | | (36,507) | (43,413) | (77,756) | (73,848) |
| Gross profit | | 23,677 | 39,464 | 50,687 | 61,602 |
| Other income | | 1,248 | 2,804 | 1,460 | 4,001 |
| Selling and distribution costs | | (9,773) | (17,868) | (30,163) | (33,075) |
| Administrative expenses | | (12,110) | (11,665) | (22,402) | (23,159) |
| Finance costs | | (209) | (700) | (429) | (1,461) |
| Profit (loss) before tax | | 2,833 | 12,035 | (847) | 7,908 |
| Income tax (expenses) credit | 4 | (670) | (1,525) | 65 | (1,525) |
| Profit (loss) for the period | 5 | 2,163 | 10,510 | (782) | 6,383 |
| Other comprehensive income for the period | | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange difference arising on translation of foreign operations | | 185 | 65 | 435 | 137 |
| Total comprehensive income (expense) for the period attributable to owners of the Company | | 2,348 | 10,575 | (347) | 6,520 |
| Earnings (loss) per share Basic and diluted (RMB cents) | 6 | 0.22 | 1.05 | (0.08) | 0.64 |

Interim Results

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

| | Notes | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 146,807 | 147,161 |
| Right-of-use assets | 9 | 17,348 | 17,586 |
| Intangible assets | | – | – |
| Deposits paid for acquisition of property, plant and equipment | | 3,760 | 4,732 |
| Deferred tax assets | | 606 | 606 |
| | | 168,521 | 170,085 |
| Current assets | | | |
| Inventories | | 37,940 | 33,622 |
| Trade and other receivables | 10 | 65,415 | 69,813 |
| Financial assets at fair value through profit or loss ("FVTPL") | 11 | 4,500 | 10,940 |
| Bank balances and cash | | 49,455 | 74,660 |
| | | 157,310 | 189,035 |
| Current liabilities | | | |
| Trade and other payables | 12 | 59,927 | 64,449 |
| Contract liabilities | 12 | 13,432 | 34,460 |
| Lease liabilities | 9 | – | 17 |
| Tax payable | | 984 | 3,295 |
| Bank borrowings | 13 | 15,000 | 20,000 |
| | | 89,343 | 122,221 |
| Net current assets | | | |
| | | 67,967 | 66,814 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 1,319 | 1,383 |
| Lease liabilities | | – | – |
| | | 1,319 | 1,383 |
| Capital and reserves | | | |
| Share capital | 14 | 8,606 | 8,606 |
| Reserves | | 226,563 | 226,910 |
| | | 235,169 | 235,516 |

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Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

| | 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 | - | - | - | - | - | (782) | (782) |
| Other comprehensive income for the period: | | | | | | | |
| Exchange difference arising on translation of foreign operations | - | - | - | - | 435 | - | 435 |
| Total comprehensive income (expense) for the period | - | - | - | - | 435 | (782) | (347) |
| At 30 June 2021 (unaudited) | 8,606 | 74,386 | 15 | 42,898 | 2,546 | 106,718 | 235,169 |
| 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 |

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Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Net cash (used in) generated from operating activities | (22,619) | 690 |
| INVESTING ACTIVITIES | | |
| Purchase of financial assets at FVTPL | (4,500) | (57,900) |
| Proceeds on disposal of financial assets at FVTPL | 10,983 | 29,030 |
| Acquisition of property, plant and equipment | (1,295) | (3,087) |
| Addition in deposit for acquisition of property, plant and equipment | (3,760) | (4,330) |
| Others | 994 | 1,220 |
| Net cash generated from (used in) investing activities | 2,422 | (35,067) |
| FINANCING ACTIVITIES | | |
| Bank borrowings raised | 15,000 | 20,000 |
| Repayment of bank borrowings | (20,000) | (30,000) |
| Settlement of lease liabilities | (14) | (37) |
| Others | (429) | (482) |
| Net cash used in financing activities | (5,443) | (10,519) |
| Net decrease in cash and cash equivalents | (25,640) | (44,896) |
| Cash and cash equivalents at beginning of the period | 74,660 | 80,871 |
| Effect of foreign exchange rate changes | 435 | 214 |
| Cash and cash equivalents at end of the period, representing bank balances and cash | 49,455 | 36,189 |

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Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

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

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 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 (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 2020. The accounting policies adopted in preparing the Financial Information, 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 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 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 2021

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 2020, 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 2021:

| | |
|---|--|
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

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 Financial Information.

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Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

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 revenue and results

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

During the six months ended 30 June 2021, 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 2021

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 2021 (Unaudited)

| | Oral care products RMB'000 | Leather care products RMB'000 | Household hygiene products RMB'000 | Total RMB'000 |
|---------------------------------|----------------------------------|--|---|------------------|
| Segment revenue | 56,812 | 8,961 | 62,670 | 128,443 |
| Segment profit | 25,044 | 1,957 | 23,686 | 50,687 |
| Unallocated income | | | | 1,460 |
| Unallocated expenses | | | | (52,565) |
| Finance costs | | | | (429) |
| Consolidated loss before tax | | | | (847) |

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 |

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Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

For the three months ended 30 June 2021 (Unaudited)

| | Oral care products RMB'000 | Leather care products RMB'000 | Household hygiene products RMB'000 | Total RMB'000 |
|-----------------------------------|----------------------------------|--|---|------------------|
| Segment revenue | 27,798 | 3,281 | 29,105 | 60,184 |
| Segment profit | 12,002 | 591 | 11,084 | 23,677 |
| Unallocated income | | | | 1,248 |
| Unallocated expenses | | | | (21,883) |
| Finance costs | | | | (209) |
| Consolidated profit before tax | | | | 2,833 |

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 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

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 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|---|---|---|
| Jointly-shared by sales of oral care products, leather care products and household hygiene products | 208,110 | 207,961 |
| Unallocated | 117,721 | 151,159 |
| Total assets | 325,831 | 359,120 |

Segment liabilities

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|---|---|---|
| Jointly-shared by sales of oral care products, leather care products and household hygiene products | 73,322 | 98,850 |
| Unallocated | 17,340 | 24,754 |
| Total liabilities | 90,662 | 123,604 |

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Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

4. INCOME TAX EXPENSES (CREDIT)

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

| | Three months ended | | Six months ended | |
|-----------------------------|--------------------|-------------|------------------|-------------|
| | 30 June | | 30 June | |
| | 2021 | 2020 | 2021 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Current tax | | | | |
| PRC Enterprise Income Tax | 703 | 1,831 | – | 1,831 |
| Withholding tax on dividend | – | 20 | – | 20 |
| | 703 | 1,851 | – | 1,851 |
| Deferred tax | (33) | (326) | (65) | (326) |
| | 670 | 1,525 | (65) | 1,525 |

- 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 2021 (2020: 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 25% for the six months ended 30 June 2021 (2020: 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 2021 (2020: 5%).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

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 | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Cost of inventories recognised as expenses | 36,507 | 43,413 | 77,756 | 73,848 |
| Depreciation of property, plant and equipment | 2,979 | 4,693 | 6,381 | 8,001 |
| Depreciation of right-of-use assets | 112 | 129 | 238 | 259 |
| Fair value gain on financial assets at FVTPL | 43 | (1,074) | 43 | (1,883) |
| Loss (gain) on disposal of property, plant and equipment | - | 18 | - | (23) |
| Interest expense on lease liabilities | - | 1 | - | 2 |
| Reversal of impairment loss of trade receivables | - | (10) | - | (30) |

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 | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Profit (loss) attributable to owners of the Company | 2,163 | 10,510 | (782) | 6,383 |

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

6. EARNINGS (LOSS) PER SHARE (Continued)

Number of shares

| | Three months ended | | Six months ended | |
|--|--------------------|-------------|------------------|-------------|
| | 30 June | | 30 June | |
| | 2021 | 2020 | 2021 | 2020 |
| | '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 2021 and for the corresponding periods in 2020 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 2021 (2020: nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, additions to the Group's property, plant and equipment were approximately RMB6,027,000 (30 June 2020: RMB9,300,000).

9. RIGHT-OF-USE ASSETS

During the six months period ended 30 June 2021, 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 2021

10. TRADE AND OTHER RECEIVABLES

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|---|---|---|
| Trade and bills receivables | 29,138 | 42,610 |
| Less: allowance for impairment of trade receivables | (458) | (458) |
| | 28,680 | 42,152 |
| Deposits and other receivables | 1,552 | 1,471 |
| Advances to employees | 400 | 703 |
| Loan to employees | 459 | 1,291 |
| | 2,411 | 3,465 |
| Prepayments | 34,584 | 24,456 |
| Less: allowance for impairment of prepayments | (260) | (260) |
| | 34,324 | 24,196 |
| | 65,415 | 69,813 |

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

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 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--------------------------------------|---|---|
| 0–30 days | 24,802 | 39,746 |
| 31–60 days | 1,277 | 1,113 |
| 61–90 days | 818 | 458 |
| Over 3 months but less than 6 months | 1,325 | 447 |
| Over 6 months but less than 1 year | 458 | 388 |
| | 28,680 | 42,152 |

Movement in the impairment on trade receivables:

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|---|---|---|
| At beginning of period/year | 458 | 470 |
| Reversal of impairment loss for the period/year | – | (91) |
| Impairment loss for the period/year | – | 79 |
| At end of period/year | 458 | 458 |

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 2021

11. FINANCIAL ASSETS AT FVTPL

As at 30 June 2021, 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 Levels 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

| | | Valuation techniques and key inputs | As at 30 June 2021 RMB'000 | As at 31 December 2020 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 | 4,500 | 10,940 | The discount rate | 7% (2020: 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 2020 | 10,940 |
| Purchases | 4,500 |
| Disposal | (10,983) |
| Fair value gain recognised in other income | 43 |
| At 30 June 2021 | 4,500 |

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

12. TRADE AND OTHER PAYABLES

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--|---|---|
| Trade and bills payables | 47,602 | 47,682 |
| Accruals and other payables | 11,946 | 15,896 |
| Payables for property, plant and equipment | 379 | 871 |
| | 59,927 | 64,449 |
| Contract liabilities | 13,432 | 34,460 |

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

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--------------------------------------|---|---|
| 0–30 days | 42,121 | 38,831 |
| 31–60 days | 3,204 | 4,568 |
| 61–90 days | 885 | 2,065 |
| Over 3 months but less than 6 months | 760 | 1,096 |
| Over 6 months but less than 1 year | 171 | 387 |
| Over 1 year but less than 2 years | 209 | 316 |
| Over 2 years but less than 5 years | 252 | 419 |
| | 47,602 | 47,682 |

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 2021

13. BANK BORROWINGS

The Group obtained new and repaid bank borrowings of RMB15,000,000 (31 December 2020: RMB20,000,000) and RMB20,000,000 (31 December 2020: RMB30,000,000) respectively during the six months ended 30 June 2021.

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 2020 (audited), 31 December 2020 (audited), 1 January 2021 (audited) and 30 June 2021 (unaudited) | 2,000,000 | 20,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.01 each | | |
| At 1 January 2020 (audited), 31 December 2020 (audited), 1 January 2021 (audited) and 30 June 2021 (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 2021

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 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|---------------------------------|---|---|
| Contracted but not provided for | 2,731 | 4,382 |

16. RELATED PARTY TRANSACTIONS

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

(a) During the six months ended 30 June 2021, the Group rented an office premise from Ms. Li Qiuyan, a director of the Company, at nil consideration (2020: nil).

(b) During the six months ended 30 June 2021, the Group incurred advertising expenses payable to a company controlled by the spouse of Mr. Tong Xing, a director of the Company, of nil (2020: nil).

(c) Key management compensation

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

| | 30 June 2021 RMB'000 (Unaudited) | 30 June 2020 RMB'000 (Unaudited) |
|--|---|---|
| Salaries and other benefits in kind | 768 | 756 |
| Retirement benefits scheme contributions | 55 | 66 |
| | 823 | 822 |

BUSINESS REVIEW

For the six months ended 30 June 2021 (the “Period”), the Group recorded a turnover of approximately RMB128.4 million, which decreased by approximately 5.2% as compared to the six months ended 30 June 2020 (the “Last Corresponding Period”). The Group recorded a net loss of approximately RMB0.8 million in the Period compared to the net profit of RMB6.4 million in the Last Corresponding Period, representing a decrease of 112.3%. During the Period, the Group’s net loss margin was approximately 0.6% as compared to the net profit margin of approximately 4.7% in the Last Corresponding Period, representing a decrease of approximately 5.3%. On the other hand, the Group’s overall gross profit margin was approximately 39.5% in the Period, representing a decrease of approximately 6.0% from approximately 45.5% in the Last Corresponding Period. The decrease in gross profit margin was primarily attributed to the rise in the price of raw materials and packaging materials.

The trend of shopping online has grown since the outbreak of COVID-19. To cope with the trend, the Group has adopted the following measures. First of all, the Group has signed an agreement on strategic cooperation with an electronic commerce company which is renowned for its skills on promoting online sales.

Secondly, the Group launched new online oral care products to replace the classic products, which were also sold on offline channels.

Thirdly, dealers are forbidden to sell oral care products on online channels unless they obtain authorization from the Group.

As a result of adjusting the sales structure of oral care products, the turnover declined approximately by 20.8% compared to the Last Corresponding Period.

The Directors believe that the Group’s efforts on online channels will be beneficial to the shareholders and the turnover will recover to previous growth rates in the second half of the year.

Business Review and Prospects

PROSPECTS AND OUTLOOKS

The second half of 2021 will be full of challenges. On one hand, the Delta variant, a highly transmissible strain of COVID-19, has been confirmed and is spreading across the world including China, casting a shadow over the recovering economies of the world. On the other hand, China has successfully curbed the spread of the Delta variant of COVID-19 in multiple densely-populated regions with high population mobility such as in the Guangdong Province. It is optimistic that the Chinese economy will keep a good momentum of steady growth in 2021.

The Group will take the following measures to maintain normal business operations. Firstly, practical measures to strengthen epidemic prevention will be taken. Secondly, the Group will strengthen marketing and promotional efforts on e-commerce platforms to improve the Group's e-commerce sales. Last but not least, the Group will devote more resources to increase foreign trade business and strengthen the ties between the companies which are eager to develop the biological toothpaste market. The Directors believe that these steps will surely improve the results of the Group.

Management Discussion and Analysis

RESULTS OF OPERATION

The Group's turnover for the Period was approximately RMB128.4 million, representing a decrease of 5.2% as compared to approximately RMB135.5 million for the Last Corresponding Period. During the Period, the Group incurred a loss attributable to owners of the Company of approximately RMB0.8 million, while the Group incurred a net profit of approximately RMB6.4 million for the Last Corresponding Period. The basic loss per share of the Group was RMB0.08 cent for the Period compared to the basic earning per share of RMB0.64 cent for the Last Corresponding Period.

Turnover

The Group recorded a turnover of approximately RMB128.4 million for the Period, indicating a decrease of 5.2% as compared to RMB135.5 million for the Last Corresponding Period. The lower turnover was mainly due to the decreased sales volume of the Group's oral care products from approximately RMB71.7 million for the Last Corresponding Period to RMB56.8 million for the Period, as a result of the diminishing sales volumes on the Group's offline sales channels. The sales volume of the Group's household hygiene products witnessed a steady growth of 8.0% from RMB58.0 million for the Period to RMB62.7 million for the Last Corresponding Period.

The turnover of the Group's leather care products increased by approximately RMB3.3 million or 56.9%, from approximately RMB5.7 million for the Last Corresponding Period to approximately RMB9.0 million for the Period. The increase was mainly due to the enhanced promotion of the products.

Cost of sales

The Group's cost of sales increased from approximately RMB73.8 million for the Last Corresponding Period to approximately RMB77.8 million for the Period, signifying an increase of approximately RMB3.9 million or 5.3%, which was mainly due to the rise in the price of raw materials and packaging materials.

Gross profit and gross profit margin

The Group's gross profit experienced a decrease of approximately RMB10.9 million or 17.7% between the Last Corresponding Period and the Period, valued at approximately RMB61.6 million and RMB50.7 million respectively. Similarly, the Group's gross profit margin for the Period (39.5%) showed a decrease of 6% as compared to the Last Corresponding Period (45.5%), due to the increase in price of raw materials and packaging materials in the first half of this year.

Management Discussion and Analysis

Selling and distribution costs

The selling and distribution costs decreased by RMB2.9 million or approximately 8.8%, from approximately RMB33.1 million for the Last Corresponding Period to approximately RMB30.2 million for the Period. The decrease was mainly attributable to the reduced costs of sales personnel during the Period.

Administrative expenses

For the Period, approximately RMB22.4 million of administrative expenses were incurred as compared to RMB23.2 million for the Last Corresponding Period. The figure amounted to a decrease of approximately RMB0.8 million or 3.3%, which was mainly due to the reduced costs of workshop, warehouse and office building repairs compared to the Last Corresponding Period.

Finance costs

The interest expenses incurred by the Group for the Period were approximately RMB0.4 million, representing a decrease of approximately RMB1.0 million or 70.6% as compared to approximately RMB1.5 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, the Group incurred a net loss of RMB0.8 million for the Period, representing a difference of RMB7.2 million or 112.3% as compared to the net profit of approximately RMB6.4 million for the Last Corresponding Period. Meanwhile, the net loss margin for the Period was approximately 0.6%, representing a change of approximately 5.3% as compared to the net profit margin of 4.7% for the Last Corresponding Period.

INTERIM DIVIDEND

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

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group at 30 June 2021 was approximately RMB235.2 million (RMB235.5 million at 31 December 2020). The Group owned current assets of approximately RMB157.3 million (RMB189.0 million at 31 December 2020) and current liabilities of approximately RMB89.3 million (RMB122.2 million at 31 December 2020). The current ratio was 1.76 at 30 June 2021 and 1.55 at 31 December 2020, 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 2021, the Group had outstanding bank borrowings of approximately RMB15.0 million (RMB20.0 million at 31 December 2020). These bank borrowings were secured by certain properties owned by the Group. As at 30 June 2021, the Group maintained bank balances and cash of approximately RMB49.5 million (RMB74.7 million at 31 December 2020). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 0.15 and 0.23 as at 30 June 2021 and 31 December 2020, respectively. The Group's gearing ratio (total bank borrowings over shareholders' equity) was 6.4% and 8.5% as at 30 June 2021 and 31 December 2020 respectively.

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 2021, the Group had no other material capital commitments.

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

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 six months ended 30 June 2021 and there are no plans for material investments or capital assets as at 30 June 2021.

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no material contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2021, the Group had 268 full-time employees. The Group had maintained good relationships with its employees by 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 did not enter into any agreement to hedge against the foreign exchange risk. The Company will pay dividends in HK\$ if dividends are declared and it will continue to monitor the fluctuation of RMB closely and will introduce suitable measures as and when appropriate.

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 2021, 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 2021, 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 2021, 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 2021, 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 Period 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 2021 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.

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 has reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2021 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.

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 2021.

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.

Other Information

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 2021) 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, 13 August 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.