

CHINA ORAL INDUSTRY GROUP HOLDINGS LIMITED

中國口腔產業集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8406

FIRST QUARTERLY REPORT

2022

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This report, for which the directors (the “**Directors**”) of China Oral Industry Group Holdings 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 of the Stock Exchange (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.

FINANCIAL RESULTS

The board of directors (the “**Board**”) presents the unaudited condensed consolidated results of the Group for the three months ended 31 March 2022 (the “**Period**”), together with the unaudited comparative figures for the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	Notes	For the three months ended 31 March	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	77,746	63,125
Cost of sales		(68,095)	(48,639)
Gross profit		9,651	14,486
Other income and gains		389	29
Distribution and selling expenses		(5,381)	(4,544)
Administrative and other expenses		(5,355)	(4,537)
Finance costs		(435)	(487)
(Loss)/Profit before tax		(1,130)	4,947
Income tax expense	4	(359)	(1,112)
(Loss)/Profit for the period	5	(1,490)	3,835
Other comprehensive expense, net of income tax Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(345)	31
Other comprehensive expense for the period		(345)	31
Total comprehensive income for the period		(1,835)	3,866
		RMB cents	RMB cents
(Loss)/Earnings per share			
– Basic and diluted	6	(0.23)	0.48

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	Attributable to the owners of the Company						
	Share capital	Special premium	Share reserve	Statutory reserve	Foreign currency translation reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022 (Audited)	6,969	26,558	17,429	9,567	(205)	58,391	118,709
Loss for the period	-	-	-	-	-	(1,490)	(1,490)
Other comprehensive expense for the period	-	-	-	-	(345)	-	(345)
Total comprehensive (expense)/ income for the period	-	-	-	-	(345)	(1,490)	(1,835)
Balance at 31 March 2022 (Unaudited)	6,969	26,558	17,429	9,567	(550)	56,901	116,874
Balance at 1 January 2021 (Audited)	6,969	26,558	17,429	8,067	859	62,024	121,906
Profit for the period	-	-	-	-	-	3,835	3,835
Other comprehensive expense for the period	-	-	-	-	31	-	31
Total comprehensive (expense)/ income for the period	-	-	-	-	31	3,835	3,866
Balance at 31 March 2021 (Unaudited)	6,969	26,558	17,429	8,067	890	65,859	125,772

NOTES TO UNAUDITED CONDENSED FINANCIAL RESULTS

1 GENERAL INFORMATION

China Oral Industry Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands under the Companies Act of the Cayman Islands as an exempted company with limited liability on 3 November 2015.

The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 7 December 2017.

Its ultimate controlling party is Ms. Yan Ping, who is also the chairlady and an executive director of the Company.

The addresses of the registered office and the principal place of business in Hong Kong of the Company are Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Suite 1812E, 18/F, Tower 2 Lippo Centre, 89 Queensway, Admiralty, Hong Kong respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") is principally engaged in the manufacturing and sales of inflatable products and related accessories. The Company is about to launch medical and healthcare related services including but not limited to investing and operating chain dental clinics, internet hospitals, biopharmaceuticals and health management service platforms and related upstream and downstream supply chain businesses.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the "**functional currency**"). The functional currency of the Company is Hong Kong dollars ("**HK\$**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand, which is different from the functional currency of the Company as the Group's dominated operations are substantially based in the People's Republic of China (the "**PRC**").

2. PREPARATION BASIS

The Group's unaudited condensed consolidated financial statements have been prepared in accordance with the accounting policies, which conform to the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

During the current period, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments 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

3. REVENUE AND SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the manufacturing and sales of inflatable products and related accessories. Since this is the one only operating segment of the Group, no further analysis for segment information is presented.

Revenue

	For the three months ended 31 March	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers:		
– Sales of inflatable products and related accessories	77,786	62,655
– Sub-contracting work	(40)	470
	77,746	63,125

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the locations of the customers.

	For the three months ended 31 March	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from external customers:		
– China	4,698	5,544
– Europe	17,821	18,583
– Australia and Oceania	653	515
– North America	37,511	22,284
– Asia	16,467	16,199
– Central and South America	656	
	77,746	63,125

4. INCOME TAX EXPENSE

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

	For the three months ended 31 March	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	(4)	402
PRC Enterprise Income Tax	283	565
Deferred tax	80	145
Total income tax recognised in profit or loss	359	1,112

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years, unless preferential rate is applicable. A wholly-owned subsidiary of the Company located in the Zhongshan City is registered as a High and New Technology Enterprise and is entitled to the preferential corporate income tax rate of 15% for a period of 3 years from 2020 to 2022.

5. (LOSS)/PROFIT FOR THE PERIOD

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

	For the three months ended 31 March	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	68,095	48,639
Depreciation of property, plant and equipment	575	364
Depreciation of right-of-use assets	1,080	993
Amortization of intangible assets	27	28
Net foreign exchange losses	221	145
Employee benefits expense (including directors' emoluments)		
Salaries, wages and other benefits	15,978	13,455
Contribution to retirement benefits schemes	2,155	1,122
Total employee benefits expense	18,133	14,577

6. (LOSS)/EARNINGS PER SHARE

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

	For the three months ended 31 March	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	(1,490)	3,835
	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	800,000	800,000

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there is no dilutive potential ordinary share in issue during the three months ended 31 March 2022 and 2021.

7. DIVIDENDS

No interim dividend was proposed by the Board for the Period (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Founded in 2003, the Group has nearly 20 years of experience in designing, manufacturing and selling high-quality inflatable amusement parks and other inflatable products. The Group is mainly engaged in the manufacturing and sales of inflatable products and related accessories, and has set its sights in the development of big health field.

Due to the uncertainty of the global pandemic, the Group's main business is affected to varying degrees. The Group intends to diversify its business into the healthcare and medical industry, especially China's domestic oral care industry. The Group has always been committed to maintaining high standards of its products and will also provide high-quality products and services for the oral care industry going forward.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately RMB77,746,000 for the Period, representing an increase of approximately RMB14,621,000 or 23.2% as compared to the revenue of approximately RMB63,125,000 for the period ended 31 March 2021. Revenue from the sales of inflatable playgrounds with air blowers for the Period was approximately RMB75,070,000 (2021: approximately RMB54,748,000), representing an increase of approximately RMB20,323,000 or 37.1% compared with the corresponding period in 2021, which accounted for approximately 96.6% of the Group's total revenue (2021: approximately 86.7%); revenue from the sales of electronic solar products for the Period was approximately RMB2,401,000 (2021: approximately RMB5,207,000), representing a decrease of approximately RMB2,806,000 or 53.88%, which accounted for approximately 3.1% of the Group's total revenue (2021: approximately 8.2%).

An analysis of the Group's revenue for the Period by geographical location is set out in Note 3 to the unaudited condensed financial results.

Cost of sales

Cost of sales was approximately RMB68,095,000 for the Period, representing an increase of approximately RMB19,456,000 or 40.4% as compared to approximately RMB48,639,000 for the corresponding period in 2021. Such increase was primarily due to (i) the increase in purchase price of raw materials; (ii) the increase in staff cost; and (iii) the corresponding increase in the Group's revenue for the Period.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB9,651,000 for the Period, representing a decrease of approximately RMB4,835,000 compared with the corresponding period in 2021 (2021: approximately RMB14,486,000). The gross profit margin was approximately 12.4% for the Period, representing a decrease of approximately 45.9% compared with the corresponding period in 2021 (2021: approximately 22.9%). Such decrease was mainly due to the increase in the cost of sales.

Other income and gains

Total other income and gains was approximately RMB389,000 for the Period, representing an increase of approximately RMB360,000 as compared with that of the corresponding period in 2021 (2021: approximately RMB29,000). Such increase was primarily due to the income of RMB300,000 from renting the non-woven production line.

Distribution and selling expenses

Total distribution and selling expenses was approximately RMB5,381,000 for the Period, representing an increase of approximately RMB837,000 or 18.4% as compared to that of the corresponding period in 2021 (2021: approximately RMB4,544,000). The increase was mainly due to the Group's increased spending in freight and transportation expenses of approximately RMB388,000 and commission and sales service expenses of approximately RMB593,000.

Administrative expenses

The administrative expenses was approximately RMB5,355,000 for the Period, representing an increase of approximately RMB818,000 or 18.1% as compared to that of the corresponding period in 2021 (2021: approximately RMB4,537,000). The increase was mainly due to the increase in employees and benefits expenses of approximately RMB817,000.

Finance costs

The Group recorded interest on lease liabilities of approximately RMB435,000 for the Period, representing a decrease of approximately RMB52,000 or 10.7% as compared with the corresponding period in 2021 (2021: approximately RMB487,000).

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2022, the interests of the Directors and chief executive of the Company (the “**Chief Executive**”) in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules (the “**Required Standard of Dealings**”) or Rule 23.07 of the GEM Listing Rules are as follows:

Long position in ordinary shares of the Company

Name of Directors/ Chief Executive	Capacity/Nature of interest	Number of shares held	Percentage of shareholding <i>(Note 1)</i>
Ms. Yan Ping	Beneficial owner	424,560,000	53.07%

Note:

- (1) The percentage is calculated on the basis of 800,000,000 ordinary shares of the Company in issue as at 31 March 2022.

Save as disclosed above, as at 31 March 2022, none of the Directors or the Chief Executive or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2022, so far as known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, there was no other person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the shares and underlying shares of the Company which would require disclosure to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company, or as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the **"Share Option Scheme"**) on 15 November 2017 pursuant to the written resolution of the shareholders of the Company on 15 November 2017 for the purpose of providing additional incentives to eligible participants for their contribution to the Group and/or enabling the Group to attract and retain the best available personnel that are valuable to the Group.

No share option had been granted under the Share Option Scheme since its adoption on 15 November 2017 and up to the date of this report.

COMPETING AND CONFLICT OF INTERESTS

During the Period, the Directors and the Controlling Shareholder and their respective close associates do not have any interest in a business apart from the Group's business which competes and is likely to compete, directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or have any other conflicts of interest with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the Required Standard of Dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

CORPORATE GOVERNANCE PRACTICE

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders of the Company and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and code provisions in the Corporate Governance Code (the **"CG Code"**) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code during the Period.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 20 June 2017. The chairlady of the Audit Committee is Ms. Yang Haili, an independent non-executive Director, and other members include Ms. Shen Jindan and Mr. Wang Mo, the independent non-executive Directors. The written terms of reference of the Audit Committee are in compliance with paragraphs D.3.3 and D.3.7 of the CG Code and posted on the Stock Exchange’s website and on the Company’s website.

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The unaudited condensed financial results for the Period has not been audited by the independent auditor of the Company, but has been reviewed by the Audit Committee. The Audit Committee believes that the relevant results has complied with the applicable accounting standards and the GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
China Oral Industry Group Holdings Limited
Yan Ping
Chairlady and executive Director

Hong Kong, 13 May 2022

As at the date of this report, the Board comprises Ms. Yan Ping, Mr. Liu Yao Guang and Mr. Xiao Jiansheng as executive Directors; and Ms. Shen Jindan, Ms. Yang Haili and Mr. Wang Mo as independent non-executive Directors.