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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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This announcement, for which the directors (the “Directors”) of China Golden Classic Group Limited (the “Company”) 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 announcement 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 announcement misleading.

ANNUAL RESULTS

The board of directors (the “Board”) of the Company announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 (the “Year”), together with the comparative audited figures for the year ended 31 December 2021 (the “Last Corresponding Period”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	270,536	295,699
Cost of sales		(168,926)	(180,012)
Gross profit		101,610	115,687
Other income and gain	4	5,233	4,989
Selling and distribution costs		(45,878)	(58,871)
Administrative expenses		(47,429)	(46,296)
Finance costs	5	(245)	(760)
Profit before tax		13,291	14,749
Income tax expenses	6	(1,139)	(1,904)
Profit for the year	7	12,152	12,845
Other comprehensive income (expense) for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		33	(346)
Total comprehensive income for the year		12,185	12,499
Earnings per share			
– Basic and diluted (<i>RMB cents</i>)	9	1.22	1.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		148,363	146,720
Right-of-use assets		20,256	17,118
Intangible assets		–	–
Deposits paid for acquisition of property, plant and equipment		9,717	8,137
Deferred tax assets		856	606
		179,192	172,581
Current assets			
Inventories		35,365	32,560
Trade and other receivables	10	62,802	74,583
Financial assets at fair value through profit or loss ("FVTPL")		3,124	4,695
Pledged bank deposits		10,653	15,506
Cash and cash equivalents		73,011	53,090
		184,955	180,434
Current liabilities			
Trade and other payables	11	61,615	56,865
Contract liabilities	11	20,883	29,982
Lease liabilities		1,861	–
Tax payable		1,880	1,900
Bank borrowing		15,000	15,000
		101,239	103,747
Net current assets		83,716	76,687
Non-current liabilities			
Deferred tax liabilities		1,299	1,253
Lease liabilities		1,409	–
		2,708	1,253
		260,200	248,015
Capital and reserves			
Share capital		8,606	8,606
Reserves		251,594	239,409
		260,200	248,015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	8,606	74,386	15	42,898	1,765	120,345	248,015
Profit for the year	-	-	-	-	-	12,152	12,152
Other comprehensive income for the year:							
Exchange difference arising on translation of foreign operations	-	-	-	-	33	-	33
Total comprehensive income for the year	-	-	-	-	33	12,152	12,185
At 31 December 2022	8,606	74,386	15	42,898	1,798	132,497	260,200
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2021	8,606	74,386	15	42,898	2,111	107,500	235,516
Profit for the year	-	-	-	-	-	12,845	12,845
Other comprehensive expense for the year:							
Exchange difference arising on translation of foreign operations	-	-	-	-	(346)	-	(346)
Total comprehensive (expense) income for the year	-	-	-	-	(346)	12,845	12,499
At 31 December 2021	8,606	74,386	15	42,898	1,765	120,345	248,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

China Golden Classic Group Limited (the “Company”) is an investment holding company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the manufacture and trading of oral care, leather care and household hygiene products.

The Company was incorporated in the Cayman Islands on 29 July 2015 as an exempted company with limited liability under the Cayman Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of its registered office in the Cayman Islands and principal place of business in Hong Kong are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Flat B, 19/F, Times Media Centre, 133 Wan Chai Road, Wan Chai, Hong Kong, respectively. The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The functional currency of the Company and the Group’s principal subsidiaries is Renminbi (“RMB”). As the Group mainly operates in the People’s Republic of China (the “PRC”), the directors of the Company consider that it is appropriate to present the consolidated financial statements in RMB.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS(s)

In the current year, the Group has applied, for its first time, the amendments to HKFRSs issued by the “HKICPA” which are effective for the Group’s financial year beginning 1 January 2022:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

Segment revenue and results

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

The followings are analysis of the Group's revenue and results by reportable and operating segments:

	Oral care products <i>RMB'000</i>	Leather care products <i>RMB'000</i>	Household hygiene products <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2022				
Segment revenue from external customers	<u>109,637</u>	<u>18,286</u>	<u>142,613</u>	<u>270,536</u>
Segment profit	<u>46,055</u>	<u>6,184</u>	<u>49,371</u>	<u>101,610</u>
Unallocated income				5,233
Unallocated expenses				(93,307)
Finance costs				<u>(245)</u>
Profit before tax				<u>13,291</u>
For the year ended 31 December 2021				
Segment revenue from external customers	<u>122,201</u>	<u>22,013</u>	<u>151,485</u>	<u>295,699</u>
Segment profit	<u>52,834</u>	<u>5,815</u>	<u>57,038</u>	<u>115,687</u>
Unallocated income				4,989
Unallocated expenses				(105,167)
Finance costs				<u>(760)</u>
Profit before tax				<u>14,749</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of selling and distribution costs, certain administrative expenses, other income and gain and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
SEGMENT ASSETS		
Jointly-shared by sales of oral care products, leather care products and household hygiene products segments	214,442	217,469
Unallocated	<u>149,705</u>	<u>135,546</u>
Total assets	<u>364,147</u>	<u>353,015</u>
SEGMENT LIABILITIES		
Jointly-shared by sales of oral care products, leather care products and household hygiene products segments	84,611	86,771
Unallocated	<u>19,336</u>	<u>18,229</u>
Total liabilities	<u>103,947</u>	<u>105,000</u>

4. OTHER INCOME AND GAIN

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rental income from properties (<i>Note i</i>)	1,916	1,167
Rental income from equipment	310	310
Bank interest income	473	353
Exchange gain	431	–
Government grants (<i>Note ii</i>)	254	1,315
Gain on disposal of property, plant and equipment, net	132	–
Fair value changes on financial assets at FVTPL (<i>Note iii</i>)	226	238
Reversal of impairment loss in respect of trade receivables	56	2
Others	<u>1,435</u>	<u>1,604</u>
	<u>5,233</u>	<u>4,989</u>

Notes:

- (i) No material outgoings had been incurred for the rental income.
- (ii) These government grants are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development with no unfulfilled conditions.
- (iii) Included realised gain of approximately RMB102,000 upon maturity of the financial assets at FVTPL during the year ended 31 December 2022 (2021: RMB43,000).

5. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank borrowings	237	760
Interest on lease liabilities	8	–
	<u>245</u>	<u>760</u>

6. INCOME TAX EXPENSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	<u>1,343</u>	<u>2,034</u>
Deferred tax	<u>(204)</u>	<u>(130)</u>
	<u>1,139</u>	<u>1,904</u>

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditor's remuneration	604	604
Depreciation of property, plant and equipment	13,532	16,562
Depreciation of right-of-use assets	604	468
Cost of inventories recognised as expenses*	168,926	180,012
Exchange (gain) losses, net	(431)	763
Research and development costs recognised as an expense**	10,781	9,426
Reversal of impairment loss in respect of trade receivables	(56)	(2)
Impairment loss recognised in respect of other receivables and prepayments	763	–
Impairment loss on inventories (included in cost of sales)	900	–
Emoluments of directors and chief executive	1,072	1,066
Other staff costs:		
Salaries and allowances	22,122	23,133
Contributions to retirement benefits schemes	3,850	3,080
Total staff costs	<u>27,044</u>	<u>27,279</u>

* Cost of inventories recognised as expenses for the year ended 31 December 2022 included staff costs of approximately RMB8,516,000 (2021: RMB9,039,000) which had been included in the total staff costs disclosed above.

** Research and development costs recognised as an expense for the year ended 31 December 2022 included staff costs of approximately RMB4,540,000 (2021: RMB4,800,000) which were also included in the total staff costs disclosure above.

8. DIVIDEND

Subsequent to the end of the reporting period, a final dividend of RMB0.5 cents per share in respect of the year ended 31 December 2022, in aggregate amount of RMB5,000,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>12,152</u>	<u>12,845</u>

Number of shares

	2022 <i>'000</i>	2021 <i>'000</i>
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

Since there are no potential dilutive shares in issue during the years ended 31 December 2022 and 2021, basic and diluted earnings per share are the same for both years.

10. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables (<i>Note i</i>)		
– third parties	34,949	48,448
Less: allowance for impairment of trade receivables	<u>(223)</u>	<u>(279)</u>
	<u>34,726</u>	<u>48,169</u>
Deposits and other receivables	1,961	1,522
Advances to employees	765	149
Loan to an employee	303	–
Less: allowance for impairment of other receivables	<u>(660)</u>	<u>–</u>
	<u>2,369</u>	<u>1,671</u>
Prepayments	26,070	25,833
Less: allowance for impairment of prepayments	<u>(363)</u>	<u>(260)</u>
	<u>25,707</u>	<u>24,743</u>
	<u>62,802</u>	<u>74,583</u>

As at 31 December 2022, the gross amount of trade receivable arising from contracts with customers amounted to RMB34,949,000 (2021: RMB48,448,000).

The Group does not hold any collateral over its trade receivables, deposits and other receivables.

The Group allows a credit period of 0 to 60 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–30 days	31,053	40,735
31–60 days	1,829	4,328
61– 90 days	262	663
Over 3 months but less than 6 months	734	1,555
Over 6 months but less than 1 year	<u>848</u>	<u>888</u>
	<u>34,726</u>	<u>48,169</u>

11. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade and bills payables	46,654	42,162
Accruals and other payables	13,086	14,260
Payables for acquisition of property, plant and equipment	1,875	443
	<u>61,615</u>	<u>56,865</u>
Contract liabilities	<u>20,883</u>	<u>29,982</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–30 days	17,044	15,904
31–60 days	9,573	5,354
61–90 days	4,722	8,114
Over 3 months but less than 6 months	14,596	11,236
Over 6 months but less than 1 year	366	689
Over 1 year but less than 2 years	94	302
Over 2 years but less than 5 years	259	563
	<u>46,654</u>	<u>42,162</u>

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.

12. CAPITAL COMMITMENT

As at 31 December 2022 and 2021, the Group has the following capital commitment in respect of acquisition of property, plant and equipment:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contracted but not provided for	<u>2,597</u>	<u>3,705</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year and up to the date of this announcement, the Group had been principally engaged in the manufacturing and trading of oral care, household hygiene and leather care products in China and overseas.

Throughout the Year, the operations of the Group have been severely affected by COVID-19. Firstly, the outbreak of COVID-19 in Shanghai in the first quarter has adversely affected the supply of raw materials to the Group. Secondly, in the second quarter, the outbreak of the epidemic and the subsequent lockdown measures in Jiangyin, where our head office is located, seriously affected the Group's operation efficiency. Thirdly, the number of epidemic areas, most of which are the Group's main products markets, increased sharply in the second half of the Year. Last but not least, most employees of the Group were infected with COVID-19 and lost work capacity for at least one week since China fully liberalized the epidemic prevention and control in December, the busiest time of the year for our Group.

For the Year, the Group recorded a turnover of approximately RMB270.5 million, representing a decrease by approximately 8.5% as compared to the Last Corresponding Period (2021: approximately RMB295.7 million). The net profit for the Year was approximately RMB12.2 million, representing a decrease by approximately 5.4% as compared to the Last Corresponding Period (2021: approximately RMB12.8 million). Net profit margin for the Year was approximately 4.5%, representing an increase by approximately 0.1% as compared to the Last Corresponding Period (2021: approximately 4.3%).

The increase in profit for the Year was mainly attributable to the decrease of selling and distribution expenses.

FINANCIAL REVIEW

Turnover

Turnover of the Group decreased by approximately 8.5% from approximately RMB295.7 million for the Last Corresponding Period to approximately RMB270.5 million for the Year. The decrease in the Group's total turnover was mainly attributable to the decreased turnover from oral care products segment. The turnover from oral care products segment decreased by approximately RMB12.6 million or 10.3% from approximately RMB122.2 million for Last Corresponding Period to approximately RMB109.6 million for the Year. Such decrease was mainly due to (i) the reduced customer flow in China's physical retail stores during the Year, which was the main channel for selling our oral care products; and (ii) the weakened demand for oral care products from online retail platforms.

Turnover from household hygiene products segment recorded a decrease of approximately RMB8.9 million or approximately 5.9% from approximately RMB151.5 million for the Last Corresponding Period to approximately RMB142.6 million for the Year. Such decrease was mainly due to the effect of COVID-19 as disclosed in the Business Review above. The Directors are optimistic about the turnover from household hygiene products segment since more products will be launched to the market.

The turnover from our leather care products segment decreased by approximately RMB3.7 million or 16.9%, from approximately RMB22.0 million for the Last Corresponding Period to approximately RMB18.3 million for the Year. Such decrease was also due to the adverse impact arising from the epidemic as disclosed in the Business Review above.

Details of the segment revenue, cost and profit for the Year and the Last Corresponding Period are summarised as follows:

	For the year ended 31 December 2022				For the year ended 31 December 2021			
	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000	Oral care products RMB000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	109,637	18,286	142,613	270,536	122,201	22,013	151,485	295,699
Segment cost	63,582	12,102	93,242	168,926	69,367	16,198	94,447	180,012
Segment profit	46,055	6,184	49,371	101,610	52,834	5,815	57,038	115,687

Cost of sales

Cost of sales decreased from approximately RMB180.0 million for the Last Corresponding Period to approximately RMB168.9 million for the Year, representing a decrease of approximately 6.2%. The change was mainly due to the decreased quantity of the Group's products.

Gross profit and gross profit margin

Gross profit of the Group decreased by approximately 12.2% from approximately RMB115.7 million for the Last Corresponding Period to approximately RMB101.6 million for the Year. The decrease was mainly attributable to the shrank sales of our products, especially oral care products, which have a higher profit margin than the other two segments' products.

In addition, our gross profit margin decreased by approximately 1.6% from approximately 39.1% for the Last Corresponding Period to approximately 37.6% for the Year.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB13.0 million or 22.1% from approximately RMB58.9 million for the Last Corresponding Period to approximately RMB45.9 million for the Year. The decrease was mainly attributable to the reduction in promotion expenses, engagement of temporary sales personnel as well as transportation expenses.

Administrative expenses

Administrative expenses incurred for the Year was approximately RMB47.4 million, representing a slight increase of approximately RMB1.1 million or approximately 2.4%, as compared to approximately RMB46.3 million for Last Corresponding Period. The main reason for the increase was driven by the increase of business entertainment expenses as well as management salaries and social security.

Finance costs

Finance costs incurred for the Year, which mainly represent interest expenses, was approximately RMB0.2 million. It decreased by approximately RMB0.5 million as compared to approximately RMB0.8 million in the Last Corresponding Period, representing a decrease of approximately 67.8%. The decrease was mainly attributable to the decrease in the average loan amount during the Year.

Income tax expenses

Income tax expenses incurred for the Year were, approximately RMB1.1 million, representing a decrease by approximately RMB0.8 million as compared to RMB1.9 million for the Last Corresponding Period, or a decrease of approximately 40.2%. The reason for this decrease is due to the adjustments of tax policies in the Year.

Profit for the Year

As a result of the foregoing, our net profit for the Year was approximately RMB12.2 million, which represents a decrease by approximately 5.4% as compared with the profit of approximately RMB12.8 million for the Last Corresponding Period. Net profit margin was approximately 4.5%, representing an increase by approximately 0.1% as compared to the Last Corresponding Period (2021: approximately 4.3%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The capital of the Group only comprises of ordinary shares and there was no change in the capital structure of the Group during the Year.

The total shareholders' equity of the Group as at 31 December 2022 was approximately RMB260.2 million (31 December 2021: approximately RMB248.0 million). The Group had current assets of approximately RMB185.0 million (31 December 2021: approximately RMB180.4 million) and current liabilities of approximately RMB101.2 million (31 December 2021: approximately RMB103.7 million). The current ratio was 1.83 and 1.74 as at 31 December 2022 and 2021, respectively.

During the Year, the Group generally financed its operations with internally generated cash flow and credit facilities provided by its principal banker in China. As at 31 December 2022, the Group had outstanding bank borrowings of approximately RMB15.0 million (31 December 2021: approximately RMB15.0 million). These bank loans were secured by certain buildings, prepaid lease payments and right-of-use assets owned by the Group. As at 31 December 2022, the Group maintained bank balances and cash of approximately RMB73.0 million (31 December 2021: approximately RMB53.1 million). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was approximately 0.22 and 0.15 as at 31 December 2022 and 2021, respectively.

The Directors believe that with the current capital and the available banking facilities, the Group possesses sufficient cash to meet its commitments and working capital requirements.

CAPITAL COMMITMENT

The Group had approximately RMB2.6 million of capital commitments, which were not provided for in respect of property, plant and equipment as at 31 December 2022 (31 December 2021: approximately RMB3.7 million). The capital commitments mainly arose from the renovation and upgrading costs of the Group's production workshop and warehouse for household hygiene products.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Company's prospectus dated 30 June 2016 (the "Prospectus") and this announcement, the Group did not have other plans for material investments and capital assets as at 31 December 2022.

GEARING RATIO

As at 31 December 2022, the Group's gearing ratio was approximately 5.8% (31 December 2021: approximately 6.0%), based on total debt of approximately RMB15.0 million and total equity of approximately RMB260.2 million. The decrease is mainly attributable to the increase in total equity during the Year as compared to the Last Corresponding Period.

Note: Gearing ratio is calculated as the total debt divided by total equity. Total debt includes bank and other borrowings.

CHARGE OVER ASSETS OF THE GROUP

As at 31 December 2022, bank borrowings were secured by certain buildings and right-of-use asset in aggregate of approximately RMB15.6 million (2021: approximately RMB17.0 million). As at 31 December 2022 and 2021, bills payables were secured by certain buildings and right-of-use asset.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There have been no material acquisitions or disposals of subsidiaries or affiliated companies of the Group for the Year.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities (2021: nil).

FOREIGN EXCHANGE EXPOSURE

Most of the sales and cost of production of the Group are settled in Renminbi (“RMB”). There are only limited sales and administrative expenses denominated in United States Dollars (“US\$”) and Hong Kong Dollars (“HK\$”). Therefore, the Group was not exposed to material foreign exchange risks. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of approximately 266 employees (2021: 268). The Group’s staff cost for the Year amounted to approximately RMB27.0 million (2021: approximately RMB27.3 million). The decrease was mainly due to the reduced sales and marketing during the Year. The Group’s remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of the individual employee. The Group recognises the importance of maintaining a good relationship with its employees. The remuneration payable to its employees includes salaries and allowance.

In the PRC, the Group’s employees have participated in various security insurance schemes including social insurance prescribed by the Social Insurance Law of PRC* (中華人民共和國社會保險法) and housing provident fund prescribed by the Regulations on Management of Housing Provident Fund* (住房公積金管理條例).

* *English names are translated for identification purpose only*

SUBSEQUENT EVENT

The Board proposed to (i) make certain amendments (the “Proposed Amendments”) to the existing amended and restated memorandum and articles of association of the Company (the “Existing M&A”) for the purpose of, among others, conforming to the core shareholder protection standards as set out in the revised Appendix 3 to the GEM Listing Rules which took effect on 1 January 2022; and (ii) adopt the second amended and restated memorandum and articles of association of the Company incorporating and consolidating all the Proposed Amendments (the “Amended M&A”) in substitution for, and to the exclusion of, the Existing M&A.

The Proposed Amendments and the proposed adoption of the Amended M&A are subject to approval by the Shareholders by way of special resolution at the extraordinary general meeting of the Company to be held on Thursday, 18 May 2023 (or any adjournment thereof). A circular of the Company containing, among other things, details of the Proposed Amendments as well as the proposed adoption of the Amended M&A and a notice convening the EGM will be despatched to the Shareholders pursuant to the GEM Listing Rules.

Since the end of the Year and up to the date of this announcement, there was no material event or change in the operation or financial conditions of the Group.

Given the stringent national policies implemented by the government of China, the risk of China experiencing another large-scale COVID-19 outbreak is relatively low. Nonetheless, certain regional outbreaks can still negatively and substantially affect the supply chain system of the Group. To minimise such risk, the management has implemented certain measures in 2022, which include but not limited to the following:

- (i) setting up epidemic prevention mechanisms, actively monitoring the body temperature of the employees, and encouraging the employees to take the COVID-19 vaccination;
- (ii) further improving the automation rate of the production process to reduce the reliance on production workers;
- (iii) exploring and approaching more alternative suppliers, adequately increasing the stock volume of particular production materials and packaging materials to prevent production disruptions caused by late delivery of a single supplier; and
- (iv) further improving the Group’s online sales performance, establishing online and offline selling channels.

RETIREMENT BENEFITS PLANS

Pursuant to the applicable PRC laws and regulations, the Group contributes to various security insurance including social insurance and housing provident fund.

No forfeited contributions are available to reduce the contribution payable by the Group in future years.

PRINCIPAL RISKS AND UNCERTAINTIES

Foreign exchange risk

Foreign exchange rate risk refers to the risk that movement in foreign currency exchange rates will affect the Group's financial results and cash flows. Since the Group's sales and productions are primarily in China, the Group is not expected to incur a significant amount of sales, assets and liabilities denominated in a currency other than RMB. However, certain administrative expenses related to legal and professional fees are denominated in HK\$. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which the Group's assets and liabilities is denominated. A depreciation of the RMB would require the Group to use more RMB funds to settle the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB would result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date. The Group neither has a formal foreign currency hedging policy nor engages in hedging activities designed or intended to manage such exchange rate risk during the Year. Since RMB is not freely convertible, the Group's ability to reduce foreign exchange rate risk is limited.

Credit risk

The Group is exposed to credit risk primarily arising from trade receivables, other receivables, advances to employees and independent third parties loans to employees and bank balances. Trade receivables are substantially from customers with good collection track records with the Group. For trade receivables, the Group delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and to mitigate credit risks. Reversal of the impairment losses on trade receivables recognised during the Year was RMB56,000 under the expected credit loss model ("ECL") (2021: reversal of impairment loss of RMB2,000). The remaining amounts are still considered recoverable because there were subsequent settlements or no historical default of payments by the respective customers.

The Group is also subject to concentration of credit risk arising from its trade receivables as approximately 7% (2021: approximately 9%) and approximately 25% (2021: approximately 32%) of these receivables are due from the Group's largest customer and the top five customers respectively for the year ended 31 December 2022.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with high credit ratings assigned by international credit-rating agencies or with good reputation.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognised financial assets was the carrying amounts of those assets as stated on the Group's consolidated statements of financial position.

Liquidity risk

The Group's financial liabilities of approximately RMB70.4 million are all falling due within the next 12 months from the end of the Year. As at 31 December 2022, the Group had net current assets and net assets of approximately RMB83.7 million and RMB260.2 million, respectively. As a result, the Group is not exposed to liquidity risk. The Group manages the liquidity risk by maintaining sufficient cash and banking facilities to enable the Group to meet the Group's normal operating and capital commitments.

Interest rate risk

The Group's interest rate risk relates primarily to the Group's bank balances as well as bank borrowings. The Group currently has not entered into any interest rate swaps to hedge against the Group's exposure to changes in fair values of the Group's borrowings. It is the Group's policy to maintain an appropriate level between the Group's borrowings so as to balance the fair value and cash flow interest rate risk. In addition, to the extent that the Group may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of the Group's debt obligations. The Group currently does not use any derivative instruments to manage the Group's interest rate risk. To the extent the Group decides to do so in the future, there can be no assurance that any future hedging activities will protect the Group from fluctuations in interest rates.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has implemented environmental protection measures, including procedures and programs related to noise control and waste discharge management, including waste water, solid waste and gases. The Group has sought to optimise the production procedure by adopting low energy consumption and pollution control techniques, implementing environmental- friendly waste disposal methods and enhancing the environmental awareness of our employees through regular training. To ensure compliance with applicable regulations, the Group has dedicated staff responsible for supervising and monitoring compliance with statutory regulations and the internal standards relating to environmental protection. Ms. Li Qiuyan, the chairman and executive Director of the Company, has the overall responsibility for environmental protection matters within the Group. The Group's operations were in compliance in all material respects with currently applicable national and local environmental protection laws and regulations in the PRC during the Year. For further details, please refer to the Environmental, Social and Governance Report of the Company, which shall be available on the Stock Exchange's website and the Company's website in due course.

CONNECTED TRANSACTIONS

On 25 November 2022, Jiangsu Snow Leopard Daily Chemical Co., Limited* (江蘇雪豹日化有限公司) (“Jiangsu Snow Leopard”), being an indirect wholly-owned subsidiary of the Company, and Shanghai Fumeizi Biotechnology Co., Limited* (上海復美姿生物科技有限公司) (“Shanghai Fumeizi”) entered into a lease agreement (the “Lease Agreement”), pursuant to which Shanghai Fumeizi has agreed to lease to Jiangsu Snow Leopard a property situated in Songjiang District, Shanghai, the PRC, with a total saleable area of approximately 2,908.27 square metres, for a fixed term of two years commencing from 1 December 2022 to 30 November 2024 (both days inclusive). Pursuant to the Lease Agreement, the quarterly rent shall be RMB480,000 (exclusive of utilities charges and management fee), and the property shall be for office use, research and development, e-commerce and warehousing.

As at the date of the Lease Agreement, Shanghai Fumeizi was wholly-owned by Mr. Tong Huaizhou, who is the son of Ms. Li Qiuyan (being an executive Director and the chairman of the Company), a family member of Mr. Tong Xing (being an executive Director and the chief executive of the Company) and a relative of Ms. Du Yongwei (being an executive Director). Accordingly, Shanghai Fumeizi is a connected person of the Company and the transactions contemplated under the Lease Agreement constitute a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. For further details, please refer to the announcement of the Company dated 25 November 2022.

During the Year, save as disclosed above, there were no connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group has maintained a good relationship with suppliers and customers. During the Year, there was no material and significant dispute between the Group and its suppliers and/or customers. Firstly, comprehensive training was provided to employees to enhance their abilities to cope with customers. Secondly, the production and defective rate of our products were strictly controlled to ensure product quality and prevent product shortages. Thirdly, we encouraged our customers to participate in designing new products. We have maintained years of cooperation with our major suppliers as we strive to grow with our suppliers.

OUTLOOK

The future economy is full of opportunities and challenges. For one thing, China has withstood the impact and test of the recent outbreak, and the spread of the COVID-19 epidemic has basically ended in China with its people achieving herd immunity. So China's economy will probably show a solid recovery in 2023. For the other, the global economy still confronts challenges, because of high inflation, monetary policy tightening, and the adverse effects of the Russia-Ukraine crisis. Our management team will face all of the these opportunities and challenges head on as part of our Group's growth process.

The Directors continue to take a solid step forward in the oral care and household hygiene industry and further expand the Group's business operations with a view to creating shareholders value. The Group has leased a property located at Premier -A Smart Land in Sheshan Science and Technology Park, which is near Shanghai Songjiang University Town. The Directors believe that, as part of the Group's business strategies, the establishment of e-commerce and research and development base at the property will be beneficial to the Group's long-term business development. What deserves to be mentioned is that the Group will launch the newly developed kitchen and toilet cleaning products to the market. And this will be a new growth point for the Company.

AUDIT COMMITTEE

The Company established the Audit Committee on 17 June 2016 with written terms of reference which are in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and code provision D.3.3 and D.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the “Code”). The primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditors; review financial statements of the Company and judgments in respect of financial reporting; and oversee internal control procedures and risk management system of the Company. As at 31 December 2022, the Audit Committee is chaired by Mr. Tang Wai Yau (an independent non-executive Director), and consists of two other independent non-executive Directors, namely Mr. Ye Jingzhong and Mr. Pan Qingwei. None of them acted as former partner of the Company’s existing auditing firm within 2 years immediately prior to their respective date of appointment. All of them do not have any material interest in any principal business activity of the Group, nor is or was any of them involved in any material business dealing with the Group or with any core connected persons of the Group within 1 year immediately prior to their respective date of appointment.

During the Year, the Audit Committee had reviewed the Group’s unaudited quarterly results for the three months ended 31 March 2022, the nine months ended 30 September 2022 and the unaudited interim results for the six months ended 30 June 2022 as well as audited annual results for the year ended 31 December 2022 and the Group’s internal controls for the Year. The Group’s results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this announcement, and confirmed that this announcement complies with the GEM Listing Rules.

The Audit Committee held 5 meetings during the Year.

SCOPE OF AUDITOR’S WORK ON FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group’s auditor SHINEWING (HK) CPA Limited (“SHINEWING”), to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on this announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Year and up to the date of this announcement.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the Year and up to the date of this announcement.

FINAL DIVIDENDS

The Board has recommended the payment of a final dividend of RMB0.5 cents per share for the Year (for the year ended 31 December 2021: nil). The recommended final dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company. For further details, please refer to the circular of the forthcoming annual general meeting of the Company, which shall be published and despatched to the shareholders of the Company in the manner prescribed by the GEM Listing Rules in due course.

CORPORATE GOVERNANCE PRACTICES

The Board recognises the value and importance of achieving high corporate governance standards and is committed to upholding good corporate standards and procedures for the best interest of the Company's shareholders.

During the Year, the Company has complied with all the applicable code provisions in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules.

Pursuant to the code provision C.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer is clearly established and set out in writing. To ensure a balance of power and authority, the Company has been fully supportive of the division of responsibility between the chairman and the chief executive officer. The roles of the chairman and the chief executive officer have been segregated and performed by Ms. Li Qiuyan and Mr. Tong Xing, respectively. Ms. Li Qiuyan has been primarily responsible for making sure that adequate information about the Company's business is provided to the Board on a timely basis, and that all Directors were properly briefed on issues arising at Board meetings. Apart from providing information, Ms. Li Qiuyan has also been providing leadership for the Board, ensuring that all issues are discussed in a timely manner, and good corporate governance practices and procedures has been established, and encouraging all directors to make full and active contribution to the Board's affairs to ensure it acts in the best interests of the Company. Ms. Li Qiuyan has also been promoting a culture of openness and debate by facilitating effective contribution of all Directors. Also, she has been ensuring that appropriate steps have been taken to provide effective communication with Shareholders and that their views have been communicated to the Board as a whole.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the “Code of Conduct”) the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the Code of Conduct during the Year and up to the date of this announcement.

PUBLIC FLOAT

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

AGM AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting (“AGM”) of the Company will be held on 18 May 2023 (Thursday) at Conference Room, No. 35 Yingbin Road, Xiake Town, Jiangyin City, Jiangsu Province, the PRC. The notice of the AGM shall be published and despatched to the Shareholders in the manner prescribed by the GEM Listing Rules.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 12 May 2023 to Thursday, 18 May 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 11 May 2023. Shareholders whose names appear on the register of members of the Company on Thursday, 18 May 2023 are entitled to attend and vote at the AGM or any adjournment thereof.

For determining the entitlement to the final dividend, the register of members of the Company will be closed from Wednesday, 31 May 2023 to Thursday, 1 June 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 30 May 2023.

PUBLICATION ON THE COMPANY AND STOCK EXCHANGE’S WEBSITES

This annual results announcement is published on the websites of the Company (<http://www.goldenclassicbio.com>) and the Stock Exchange (www.hkexnews.hk) respectively. The annual report of the Company for the Year will be despatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 23 March 2023

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Listed Company Announcements” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its posting. This announcement will also be posted on the website of the Company at www.goldenclassicbio.com.