

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 2024

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

Contents

CORPORATE INFORMATION	3
INTERIM RESULTS	4
– CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
– CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
– CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
– CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
– NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION	9
BUSINESS REVIEW AND PROSPECTS	22
MANAGEMENT DISCUSSION AND ANALYSIS	24
OTHER INFORMATION	28

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

AUTHORISED REPRESENTATIVES

Ms. Du Yongwei
Mr. Xiang Dongliang

COMPLIANCE OFFICER

Ms. Li Qiuyan

COMPANY SECRETARY

Mr. Xiang Dongliang

REGISTERED OFFICE

Windward 3
Regatta Office Park
PO Box 1350
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

Flat B, 19/F
Times Media Centre
133 Wan Chai Road
Wan Chai
Hong Kong

PRINCIPAL BANK

Jiangyin Rural Commercial Bank
Co., Limited
Qiaoqi Sub-branch

REGISTERED PIE AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISER

Seyfarth Shaw
as to Hong Kong law

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY 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 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	110,456	128,412
Cost of sales		(72,180)	(80,970)
Gross profit		38,276	47,442
Other income and gain, net		3,017	2,825
Selling and distribution costs		(20,747)	(22,889)
Administrative expenses		(26,612)	(27,302)
Finance costs		(89)	(246)
Loss before tax		(6,155)	(170)
Income tax expenses	4	–	(770)
Loss for the period	5	(6,155)	(940)
Other comprehensive (expense) income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(493)	231
Total comprehensive expense for the period		(6,648)	(709)
Loss per share			
Basic and diluted (RMB cents)	6	(0.62)	(0.09)

Interim Results

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	143,667	148,894
Right-of-use assets	9	16,931	17,935
Intangible assets		–	–
Deposits paid for acquisition of property, plant and equipment		1,495	2,762
Deferred tax assets		230	230
		162,323	169,821
Current assets			
Inventories		34,588	29,225
Trade and other receivables	10	45,044	64,865
Financial assets at fair value through profit or loss (“FVTPL”)	11	1,075	1,075
Tax recoverable		162	–
Pledged bank deposits		5,645	5,645
Cash and cash equivalents		55,665	77,932
		142,179	178,742
Current liabilities			
Trade and other payables	12	26,729	49,471
Dividend payables		502	117
Contract liabilities	12	18,561	26,560
Lease liabilities		476	1,422
Tax payable		–	2,311
Bank borrowing	13	5,000	5,000
		51,268	84,881
Net current assets		90,911	93,861
Net assets		253,234	263,682

Interim Results

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Capital and reserves			
Share capital	14	8,606	8,606
Reserves		244,628	255,076
		253,234	263,682

Interim Results

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2024 (audited)	8,606	69,386	15	42,898	3,219	139,558	263,682
Loss for the period	-	-	-	-	-	(6,155)	(6,155)
Other comprehensive expense for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	(493)	-	(493)
Total comprehensive expense for the period	-	-	-	-	(493)	(6,155)	(6,648)
Dividend recognised as distribution	-	(3,800)	-	-	-	-	(3,800)
At 30 June 2024 (unaudited)	8,606	65,586	15	42,898	2,726	133,403	253,234
At 1 January 2023 (audited)	8,606	74,386	15	42,898	1,798	132,497	260,200
Loss for the period	-	-	-	-	-	(940)	(940)
Other comprehensive expense for the period:							
Exchange difference arising on translation of foreign operations	-	-	-	-	231	-	231
Total comprehensive income (expense) for the period	-	-	-	-	231	(940)	(709)
Dividend declared/paid	-	-	-	-	-	(4,978)	(4,978)
At 30 June 2023 (unaudited)	8,606	74,386	15	42,898	2,029	126,579	254,513

Interim Results

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash used in operating activities	(13,100)	(28,171)
INVESTING ACTIVITIES		
Purchase of financial assets at FVTPL	–	(3,000)
Proceeds on disposal of financial assets at FVTPL	–	3,211
Acquisition of property, plant and equipment	(4,836)	(4,506)
Proceeds on disposal of property, plant and equipment	–	53
Other investing cash flows (net)	507	50
Net cash used in investing activities	(4,329)	(4,192)
FINANCING ACTIVITIES		
Repayment of bank borrowing	(5,000)	–
Bank borrowing raised	5,000	–
Dividend paid	(3,548)	(1,142)
Repayment of lease liabilities	(946)	(922)
Other financing cash flows (net)	16	366
Net cash used in financing activities	(4,478)	(1,698)
Net decrease in cash and cash equivalents	(21,907)	(34,061)
Cash and cash equivalents at beginning of the period	77,932	73,011
Effect of foreign exchange rate changes	(360)	347
Cash and cash equivalents at end of period, represented by bank balances and cash	55,665	39,297

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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

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 and principal place of business is Flat B, 19/F, Times Media Centre, 133 Wan Chai Road, Wan Chai, Hong Kong. The Company’s shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The immediate holding company and the ultimate controlling party of the Company is ChongBo Mary Investment Limited, a company incorporated in the British Virgin Islands (“BVI”) and Ms. Li Qiuyan (“Ms. Li”), an executive director of the Company, respectively.

The unaudited condensed consolidated financial information (“Financial Information”) of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2024 have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Financial Information of the Group should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 December 2023. The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2023.

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 (“PRC”), the directors of the Company (“Directors”) consider that it is appropriate to present the Financial Information in RMB.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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 2023, except as described below.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2024:

HKFRS 16 Amendments to HKAS 1	Lease Liability in a Sale and Leaseback 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
Amendments to HKAS 1 Amendments to HKAS 7 and HKFRS 7	Non-current Liabilities with Covenants Supplier Finance Arrangements

The application of the new and 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 this Financial Information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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

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

During the six months ended 30 June 2024 and 2023, all revenue were recognised at a point in time upon delivery.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue (Continued)

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

For the six months ended 30 June 2024 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue from external customers	33,116	5,641	71,699	110,456
Segment profit	11,849	1,965	24,462	38,276
Unallocated income				3,017
Unallocated expenses				(47,359)
Finance costs				(89)
Loss before tax				(6,155)

For the six months ended 30 June 2023 (unaudited)

	Oral care products RMB'000	Leather care products RMB'000	Household hygiene products RMB'000	Total RMB'000
Segment revenue	48,546	6,506	73,360	128,412
Segment profit	18,211	2,114	27,117	47,442
Unallocated income				2,825
Unallocated expenses				(50,191)
Finance costs				(246)
Loss before tax				(170)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue (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 gain, net 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products segments	174,643	196,150
Unallocated	129,859	152,413
Total assets	304,502	348,563

Segment liabilities

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Jointly-shared by sales of oral care products, leather care products and household hygiene products segments	45,168	76,753
Unallocated	6,100	8,128
Total liabilities	51,268	84,881

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

4. INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	(630)	(86)
Withholding tax on dividend	630	850
Deferred tax		
	-	6
	-	770

- (a) Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.
- (b) No provision for Hong Kong Profits Tax had been made for the six months ended 30 June 2024 (2023: nil) as the Group did not have any assessable profits arising in Hong Kong.
- (c) Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries registered in the PRC is 25%.
- (d) One of the Group's subsidiaries registered in the PRC is recognised as a High and New-technology Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 15% for the six months ended 30 June 2024 (2023: 15%).
- (e) 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 2024 (2023: 5%).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

5. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	72,180	80,970
Depreciation of property, plant and equipment	10,396	9,549
Depreciation of right-of-use assets	1,004	780
Loss (gain) on disposal of property, plant and equipment	9	(44)
Fair value gain on financial assets at FVTPL	–	(94)

6. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	(6,155)	(940)

Number of shares

	Six months ended 30 June	
	2024	2023
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue	1,000,000	1,000,000

Note: No diluted loss per share is presented for the six months ended 30 June 2024 and for the corresponding periods in 2024 as the Group had no potential ordinary shares outstanding.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

7. DIVIDEND

During the six months ended 30 June 2024, the shareholders of the Company approved the payment of a final dividend of HK0.38 cents per ordinary share in respect of the year ended 31 December 2024 (six months ended 30 June 2023: HK0.559 cents per ordinary share) at the annual general meeting of the Company.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, additions to the Group's property, plant and equipment were approximately RMB4,836,000 (30 June 2023: approximately RMB4,506,000).

9. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024 and 2023, the Group did not enter into new lease agreement for the use of assets with lease term more than 12 months.

10. TRADE AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade and bills receivables	26,156	37,228
Less: allowance for impairment of trade receivables	(223)	(223)
	25,933	37,005
Deposits and other receivables	1,948	1,960
Advances to employees	22	81
Loan to employees	672	757
Less: allowance for impairment of other receivables	(660)	(660)
	1,982	2,138
Prepayments	17,492	26,085
Less: allowance for impairment of prepayments	(363)	(363)
	17,129	25,722
	45,044	64,865

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0–30 days	24,071	35,178
31–60 days	423	291
61–90 days	560	460
Over 3 months but less than 6 months	270	573
Over 6 months but less than 1 year	609	503
	25,933	37,005

Movement in the impairment on trade receivables:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At beginning of period/year	223	279
Reversal of impairment loss for the period/year	–	(56)
At end of period/year	223	223

Trade and bills receivables that were not past due relate to customer for whom there was no recent history of default.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

11. FINANCIAL ASSETS AT FVTPL

As at 30 June 2024 and 31 December 2023, 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.

During the year ended 31 December 2023, the underlying issuer of the product encountered serious financial difficulties and failed to fulfil its financial obligations to the investors. No repayment schedule had been provided to the Group. The management considered significant risk on the recoverability of wealth management products. The Directors additionally refer to the market default rate to determine the fair value of the financial assets.

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.

Fair value hierarchy		Valuation technique and key inputs	As at 30 June 2024 RMB'000	As at 31 December 2023 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	1,075	1,075	Yield rate	6.4% (2023: 6.4%)	The higher the yield rate, the higher the fair value

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	RMB'000
At 31 December 2023 and 30 June 2024	1,075

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

12. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade and bills payables	17,362	36,641
Accruals and other payables	8,947	12,037
Payables for acquisition of property, plant and equipment	420	793
	26,729	49,471
Contract liabilities	18,561	26,560

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0–30 days	7,716	19,749
31–60 days	5,507	5,681
61–90 days	2,251	4,534
Over 3 months but less than 6 months	724	5,094
Over 6 months but less than 1 year	321	629
Over 1 year but less than 2 years	331	392
Over 2 years but less than 5 years	512	562
	17,362	36,641

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.

Interim Results

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

13. BANK BORROWING

The Group obtains bank borrowing of RMB5,000,000 during the six months ended 30 June 2024 (31 December 2023: RMB10,000,000) and the Group repaid bank borrowing of RMB5,000,000 (31 December 2023: RMB20,000,000) during the six months ended 30 June 2024.

14. SHARE CAPITAL

	Number of shares '000	Nominal value of ordinary shares '000
Authorised:		
Ordinary shares		
At 1 January 2023 (audited), 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	2,000,000	20,000
Issued and fully paid:		
Ordinary shares		
At 1 January 2023 (audited), 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	1,000,000	10,000
Equivalent to RMB'000		8,606

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contracted but not provided for	2,220	2,300

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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 2024, the Group had a two-years lease in respect of an office from Shanghai Fumeizi, a related company controlled by Mr. Tong Huaizhou, a close family member of the executive director of the Company, Ms. Li. As at 30 June 2024, the aggregate carrying amounts of such lease liabilities is approximately RMB476,000 (31 December 2023: RMB1,422,000). During the six months ended 30 June 2024, the Group has made lease payment of approximately RMB960,000 (31 December 2023: RMB1,920,000) including interest expense on lease liabilities.
- (b) During the six months ended 30 June 2024, the Group rented an office premise from Ms. Li, a director of the Company, at nil consideration (2023: nil).
- (c) As at 30 June 2024, banking facility of RMB80,000,000 (31 December 2023: RMB80,000,000) was guaranteed by Ms. Li.

(d) Key management compensation

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

	30 June 2024 RMB'000 (Unaudited)	30 June 2023 RMB'000 (Unaudited)
Salaries and other benefits in kind	672	549
Retirement benefits scheme contributions	55	69
	727	618

Business Review and Prospects

BUSINESS REVIEW

For the six months ended 30 June 2024 (the “Period”), the Group recorded a turnover of approximately RMB110.5 million, which decreased by approximately 14.0% as compared to the six months ended 30 June 2023 (the “Last Corresponding Period”). Such decrease was mainly attributed to the decreased turnover from oral care products.

The turnover from household hygiene products decreased by approximately RMB1.7 million or 2.3% from approximately RMB73.4 million for the Last Corresponding Period to approximately RMB71.7 million for the Period. Such decrease was mainly due to the intensification of market competition. On the other hand, the sales volume of the Group’s oral care products decreased by approximately 31.8% from approximately RMB48.5 million for the Last Corresponding Period to approximately RMB33.1 million for the Period. The main reason for the decrease was that consumers cannot make optimal purchase decisions based on the new packaging which was made to the labeling process of oral care products in order to comply with relevant requirements under the Administrative Measures on Cosmetics Labeling* (《化妝品標籤管理辦法》). The turnover from the Group’s leather care products decreased by approximately RMB0.9 million or 13.3% to approximately RMB5.6 million for the Period, as compared with approximately RMB6.5 million for the Last Corresponding Period. The Group recorded a net loss of approximately RMB6.2 million in the Period compared to the net loss of RMB0.9 million in the Last Corresponding Period, representing an increase of approximately 554.8%.

During the Period, the Group’s net loss margin was approximately 5.6% as compared to the net loss margin of approximately 0.7% in the Last Corresponding Period, representing an increase of approximately 4.9%. On the other hand, the Group’s overall gross profit margin was approximately 34.7% in the Period, representing a decrease of approximately 2.2% from approximately 36.9% in the Last Corresponding Period. The decrease in gross profit margin was primarily attributed to the Promotional Pricing Strategy implemented during the Period.

* For identification purpose only

PROSPECTS AND OUTLOOKS

The economic situation in the second half of 2024 is still full of uncertainties and opportunities.

Firstly, being a pioneering force in the utilization of biological enzymes within the toothpaste industry, companies need to prepare more substantial experimental data and verification outcomes that unequivocally substantiate their efficacy in dental hygiene products. In pursuit of this, the Group have initiated fresh employment contracts with professionals, including an engineer holding a doctoral degree from Fudan University, to bolster our research and development endeavors. While this endeavor entails an escalation in the Group's expenditure for R&D and packaging innovation, it simultaneously fortifies the barriers impeding other enterprises from venturing into the realm of enzyme-infused toothpaste. After arduous years of dedication, the Group can re-highlighting lysozyme, whitening and other claims to the toothpaste.

Secondly, our kitchen cleanser products have emerged as a prominent household hygiene products in the northwestern region of China. On one hand, the impending introduction of highly effective toilet cleaning liquids in the third quarter of the Year is anticipated to further solidify our market foothold. Conversely, the proliferation of counterfeit and substandard products has become a pressing concern, necessitating rigorous crackdowns on such illicit goods to propel the Group's sales figures.

Lastly, consumer shopping behaviors have undergone a paradigm shift, with a pronounced preference for online purchasing channels. In light of this, the Company can capitalize on live streaming and other advanced e-commerce technologies to showcase our strengths in research and development, manufacturing expertise, and rigorous quality control measures. Conversely, if the Group fails to enhance its online sales presence, it may encounter difficulties in sustaining robust growth over the long term.

Management Discussion and Analysis

RESULTS OF OPERATION

The Group's turnover for the Period was approximately RMB110.5 million, representing a decrease of approximately 14.0% as compared to approximately RMB128.4 million for the Last Corresponding Period. During the Period, the Group incurred a loss attributable to owners of the Company of approximately RMB6.2 million, while the Group incurred a net loss of approximately RMB0.9 million for the Last Corresponding Period. The basic loss per share of the Group was RMB0.62 cents for the Period compared to the basic loss per share of RMB0.09 cents for the Last Corresponding Period.

Turnover

The Group recorded a turnover of approximately RMB110.5 million for the Period, representing a decrease of approximately 14.0% as compared to approximately RMB128.4 million for the Last Corresponding Period. The lower turnover was mainly due to the decreased sales volume of the Group's oral care products, which resulted in an decreased turnover in this segment from approximately RMB48.5 million for the Last Corresponding Period to approximately RMB33.1 million for the Period. The main reason for the decrease was that consumers cannot make optimal purchase decisions based on the new packaging which was made to the labeling process of oral care products in order to comply with relevant requirements under the Administrative Measures on Cosmetics Labeling* (《化妝品標籤管理辦法》). On the other hand, the turnover of household hygiene products recorded a decrease of approximately RMB1.7 million or 2.3% from approximately RMB73.4 million for the Last Corresponding Period to approximately RMB71.7 million for the Period. The main reason was that the Group failed to launch new competitive products in the first half of the Year.

Cost of sales

The Group's cost of sales decreased from approximately RMB81.0 million for the Last Corresponding Period to approximately RMB72.2 million for the Period, representing a decrease of approximately RMB8.8 million or 10.9%, which was mainly due to the decreased in product sales volume.

Gross profit and gross profit margin

The Group's gross profit decreased from approximately RMB47.4 million in the Last Corresponding Period to approximately RMB38.3 million in the Period, representing a decrease of approximately RMB9.2 million or 19.3%. The Group's gross profit margin decreased from approximately 36.9% in the Last Corresponding Period to approximately 34.7% in the Period, primarily due to the Promotional Pricing Strategy implemented during the Period.

* For identification purpose only

Management Discussion and Analysis

Selling and distribution costs

The selling and distribution costs decreased by approximately RMB2.1 million or 9.4%, from approximately RMB22.9 million for the Last Corresponding Period to approximately RMB20.7 million for the Period. The decrease was mainly attributable to the decreased promotional expenses during the Period.

Administrative expenses

For the Period, approximately RMB26.6 million of administrative expenses were incurred as compared to approximately RMB27.3 million for the Last Corresponding Period. The figure amounted to a decrease of approximately RMB0.7 million or 2.5%, which was mainly due to the decreased research and development expenses as well as repair and maintenance expenses.

Finance costs

The interest expenses incurred by the Group for the Period were approximately RMB0.09 million, representing a decrease of approximately RMB0.2 million or 63.8% as compared to approximately RMB0.2 million for the Last Corresponding Period. It was primarily driven by the drop in the lending amount with respect to the borrowing provided to the Group for the Period as compared to that in the Last Corresponding Period.

Loss for the Period

As a result of the foregoing, the Group incurred a net loss of approximately RMB6.2 million for the Period, representing an increase by approximately RMB5.2 million or 554.8% from the net loss of approximately RMB0.9 million for the Last Corresponding Period. Meanwhile, the net loss margin for the Period was approximately 5.6%, representing an increase by approximately 4.9% from the net loss margin of 0.7% for the Last Corresponding Period.

INTERIM DIVIDEND

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 30 June 2024 was approximately RMB253.2 million (RMB263.7 million at 31 December 2023). As at 30 June 2024, the Group owned current assets of approximately RMB142.2 million (RMB178.7 million at 31 December 2023) and current liabilities of approximately RMB51.3 million (RMB84.9 million at 31 December 2023). The current ratio was 2.77 as at 30 June 2024 and 2.11 as at 31 December 2023.

Management Discussion and Analysis

During the Period, the Group generally financed its operations with internally generated cash flow. The Group had outstanding bank borrowings amounted to RMB5.0 million as at 30 June 2024 (31 December 2023: RMB5.0 million). These bank borrowings were secured by certain properties owned by the Group. As at 30 June 2024, the Group maintained bank balances and cash of approximately RMB55.7 million (RMB77.9 million at 31 December 2023). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 0.20 and 0.28 as at 30 June 2024 and 31 December 2023, respectively. The Group's gearing ratio (total bank borrowings over shareholders' equity) was 20.2% and 32.2% as at 30 June 2024 and 31 December 2023, respectively.

The Group possesses sufficient cash and banking facilities to meet its commitments and working capital requirements.

CHARGE OVER ASSETS OF THE GROUP

As at 30 June 2024, bank borrowing was secured by the Group's trademarks with carrying amount of nil (31 December 2023: nil). As at 30 June 2024, bills payables were secured by trademarks with carrying amount of nil (31 December 2023: nil).

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had approximately RMB2.2 million (31 December 2023: approximately RMB2.3 million) of capital commitments. The capital commitments mainly arose from the renovation and upgrading costs of the Group's production workshop and warehouse for household hygiene products.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, there were no other significant investments held, nor material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period and there are no plans for material investments or capital assets as at 30 June 2024.

CONTINGENT LIABILITIES

As at 30 June 2024 and 31 December 2023, the Group had no material contingent liabilities.

Management Discussion and Analysis

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2024, the Group had 257 full-time employees. The Group's staff cost for the Period amounted to approximately RMB13.9 million as compared to RMB14.4 million for the Last Corresponding Period. The Group had maintained good relationships with its employees by providing them with training programmes, 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.

SUBSEQUENT EVENT

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Most of the Group's 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.

Other Information

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 2024, 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 Rules 5.46 to 5.67 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>)	593,625,000	59.36%
Mr. Tong Xing ("Mr. Tong")	Interest of a controlled corporation (<i>Note 2</i>)	106,875,000	10.69%

Notes:

1. Ms. Li beneficially owns the entire issued share capital of ChongBo Mary Investment Limited ("ChongBo Mary"). Therefore, 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.
2. 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.

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, as at 30 June 2024, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2024, so far as the Directors are aware, the following persons (not being Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the ordinary shares of the Company

Name	Capacity/nature of interest	Number of shares or underlying shares	Approximate percentage of interest in the Company
ChongBo Mary	Beneficial owner	593,625,000	59.36%
Tong Xing Holding	Beneficial owner	106,875,000	10.69%
Ms. Zhang Li	Interest of spouse	106,875,000	10.69%

(Note 1)

Other Information

Note:

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

Save as disclosed above, as at 30 June 2024, the Directors are not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") 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 OR DEBENTURES

Save as disclosed above, at no time during the Period, 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 in 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings 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 adopted by the Company for the Period and up to the date of this report.

NON-COMPETITION UNDERTAKINGS

Each of the controlling shareholders of the Company, namely Ms. Li and ChongBo Mary (collectively as the "Controlling Shareholders"), has entered into a deed of non-competition with the Company 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" in the prospectus of the Company dated 30 June 2016 and the non-competition undertaking has become effective from the date of listing of the shares of the Company on GEM (the "Listing Date"). As far as the Directors are aware, as at the date of this report, the Controlling Shareholders have not breached any terms under the Deed of Non-competition.

COMPETING INTERESTS

As far as the Directors are aware, during the Period and up to the date of this report, none of the Directors or the Controlling Shareholders and their respective close associates (as defined under the GEM Listing Rules) has 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 include, among other things, 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 condensed consolidated results of the Group for the Period and this report with the management and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures has been made.

Other Information

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 C1 to the GEM Listing Rules. The Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices.

To the best knowledge, information and belief of the Directors, the Company had complied with the code provisions in the CG Code for the Period.

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 and up to the date of this report, as required under the GEM Listing Rules.

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 2024) are available for viewing on the Stock Exchange’s website at www.hkexnews.hk and on Company’s website at www.goldenclassicbio.com.

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

Hong Kong, 14 August 2024

As at the date of this report, the executive Directors are Ms. Li Qiuyan, Mr. Tong Xing and Ms. Du Yongwei; and the independent non-executive Directors are Mr. Ye Jingzhong, Mr. Pan Qingwei and Mr. Tang Wai Yau.