

TARGET

Intelligence Report

VOLUME XXV No. 257

THURSDAY

November 30, 2023

**CHINA GOLDEN CLASSIC GROUP LTD:
ONE CANNOT FIGHT CITY HALL !
OTHERS HAVE TRIED IN VAIN, HAVING FAILED, MISERABLY**

With regard to the Financial Year of China Golden Classic Group Ltd (中國金典集團有限公司) (Code: 8281, The Growth Enterprise Market – The GEM – The Stock Exchange of Hongkong Ltd), ended December 31, 2022, Management had had a very difficult time.

The Company is in the business of manufacturing and trading in products, targeting oral care, household hygiene, and leather products, all of which are sold in the People's Republic of China (PRC).

The Chairlady and Executive Director of China Golden Classic Group Ltd, Ms Li Qiu Yan (李秋雁), made no bones about the situation that transpired, during the 2022 Financial Year, and, instead of complaining, went on record, stating the following, found on Pages Four and Five of the 2022 Annual Report:

'BUSINESS REVIEW

'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.

'Even though the Year was full of challenges for the Group, the management team remains dedicated to creating value for the shareholders of the Company. The turnover of the Group decreased by approximately 8.5% from approximately RMB295.7 million for the financial year ended 31 December 2021 (the "Last Corresponding

Period”) to approximately RMB270.5 million for the Year. As the Group used more low-price promotion methods to maintain its market share, 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.

‘The Group generated approximately RMB12.2 million in profit, representing a decrease by approximately 5.4% compared to the Last Corresponding Period. 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: 4.3%).

‘With a heightened awareness of health and hygiene, the demand for personal and household hygiene products with initialisation and sterilisation functions has surged. In response to this market trend, the Group has taken all necessary actions to leverage these business opportunities. Although, suffered from the epidemic, the turnover of our household hygiene products decreased in the Year as compared to the Last Corresponding Period, the Directors believe that the performance of household hygiene products in the future will increase since the adverse impact arising from the epidemic is expected to be slim having considered that the herd immunity across China is high in the near future ...

‘PROSPECTS

‘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 (sic) these opportunities and challenges head on as part of our Groups (sic) growth process ... ’.

BITING THE PROVERBIAL BULLET

At Page 72 of the 2022 Annual Report of China Golden Classic Group Ltd, the ‘**Consolidated Statement of Profit or Loss and Other Comprehensive Income**’ was given, to which this medium has taken the liberty of interpolating calculations in order to add relevant acknowledgments with regard to certain statistics:

	For The Financial Year, Ended December 31		Percentage Increase/(Decrease)*
	2022	2021	
	All Figures Are Denominated In Renminbi (RMB)’000 (except where otherwise stipulated)		
Revenue	270,536	295,699	(8.51)
Gross Profit	101,610	115,687	(12.17)
Gross Profit Margin*	37.56 percent	39.12 percent	(3.99)
Profit Before Taxation	13,291	14,749	(9.89)
Profit For The Year	12,152	12,845	(5.40)

Net Profit Margin*	4.49 percent	4.34 percent	3.46
Total Comprehensive Income For The Year	12,185	12,499	(2.51)
Earnings Per Share	1.22 RMB cents	1.28 RMB cents	(4.69)

* These are **TARGET**'s calculations.

** The functional medium of exchange in the PRC is the renminbi (**RMB**).

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