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China Oral Industry Group Holdings Limited

中國口腔產業集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8406)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “**Directors**”) of China Oral Industry Group Holdings Limited (formerly known as Alpha Era International Holdings Limited) (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.

The directors of the Company (the “**Directors**”) announce the unaudited consolidated results of the Group for the six months ended 30 June 2022 (the “**Period**”), together with the comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	66,155	83,891	143,901	147,016
Cost of sales		(57,817)	(61,559)	(125,912)	(110,198)
Gross profit		8,338	22,332	17,989	36,818
Other income and gains	6	3,374	723	3,763	752
Distribution and selling expenses		(7,795)	(10,292)	(13,176)	(14,836)
Administrative expenses		(4,724)	(4,569)	(10,079)	(9,106)
Finance costs	7	(412)	(509)	(847)	(996)
Profit before tax		(1,220)	7,685	(2,350)	12,632
Income tax expense	8	(94)	(2,102)	(453)	(3,214)
Profit for the period	9	(1,394)	5,583	(2,884)	9,418
Other comprehensive (expense)/ income, net of income tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		2,829	(346)	2,484	(315)
Other comprehensive (expense)/ income for the period		2,829	(346)	2,484	(315)
Total comprehensive income for the period		1,435	5,237	(400)	9,103
		RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share					
– Basic and diluted	10	(0.17)	0.70	(0.36)	1.18

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	16,561	17,259
Right-of-use assets		14,388	17,152
Intangible assets	13	656	524
Deferred tax assets		6	6
		<u>31,611</u>	<u>34,941</u>
Current assets			
Inventories		62,732	79,697
Trade and other receivables	14	82,756	61,986
Tax recoverable		–	692
Cash and bank balances		34,479	25,590
		<u>179,967</u>	<u>167,965</u>
Total assets		<u>211,578</u>	<u>202,906</u>
Current liabilities			
Trade and other payables	15	73,077	61,046
Lease liabilities		4,050	3,985
Current tax liabilities		(410)	–
		<u>76,718</u>	<u>65,031</u>
Net current assets		<u>103,248</u>	<u>102,934</u>
Total assets less current liabilities		<u>134,860</u>	<u>137,875</u>
Non-current liabilities			
Lease liabilities		13,310	16,005
Deferred tax liabilities		3,241	3,161
		<u>16,551</u>	<u>19,166</u>
Net assets		<u>118,309</u>	<u>118,709</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	16	6,969	6,969
Reserves		111,340	111,740
		<u>118,309</u>	<u>118,709</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to the owners of the Company						
	Share capital	Share premium	Special reserve	Statutory reserve	Foreign	Retained profit	Total equity
					currency translation reserve		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2022 (Audited)	6,969	26,558	17,429	9,567	(205)	58,391	118,709
Profit for the period	-	-	-	-	-	(2,884)	(2,884)
Other comprehensive expense for the period	-	-	-	-	2,484	-	2,484
Total comprehensive income/(expense) for the period	-	-	-	-	2,484	(2,884)	(400)
Balance at 30 June 2022 (Unaudited)	<u>6,969</u>	<u>26,558</u>	<u>17,429</u>	<u>9,567</u>	<u>2,278</u>	<u>55,507</u>	<u>118,309</u>
Balance at 1 January 2021 (Audited)	6,969	26,558	17,429	8,067	859	62,024	121,906
Profit for the period	-	-	-	-	-	9,418	9,418
Other comprehensive income for the period	-	-	-	-	(315)	-	(315)
Total comprehensive income for the period	-	-	-	-	(315)	9,418	9,103
Balance at 30 June 2021 (Unaudited)	<u>6,969</u>	<u>26,558</u>	<u>17,429</u>	<u>8,067</u>	<u>544</u>	<u>71,442</u>	<u>131,009</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	(2,350)	12,632
Adjustment for:		
Depreciation of property, plant and equipment	1,159	1,094
Depreciation of right-of-use assets	2,140	2,045
Amortisation of intangible assets	54	55
Interest income	(44)	(26)
Finance costs	847	996
Gain on disposal of property, plant and equipment, net	4	(529)
	<u>1,810</u>	<u>16,267</u>
Movements in working capital		
Increase in inventories	16,965	(6,460)
Increase in trade and other receivables	(20,774)	(36,821)
Increase in trade and other payables	12,032	10,128
	<u>(10,033)</u>	<u>(16,886)</u>
Cash (used in)/generated from operations	(10,033)	(16,886)
Income taxes paid	(283)	(1,125)
	<u>(10,316)</u>	<u>(18,011)</u>
Net cash (used in)/generated by operating activities	9,749	(18,011)
Cash flows from investing activities		
Interest received	44	26
Payments for property, plant and equipment	(519)	(1,129)
Proceeds from disposal of property, plant and equipment	53	825
Payments for intangible assets	(185)	(18)
	<u>(607)</u>	<u>(296)</u>
Net cash used in investing activities	(607)	(296)
Cash flows from financing activities		
Capital element of lease liabilities	(1,935)	(1,671)
Interest element of lease liabilities	(847)	(996)
	<u>(2,782)</u>	<u>(2,667)</u>
Net cash used in financing activities	(2,782)	(2,667)
Net (decrease)/increase in cash and cash equivalents	6,360	(20,974)
Cash and cash equivalents at the beginning of period	25,590	52,114
Effect of foreign exchange rate changes, net	2,529	(869)
	<u>2,529</u>	<u>(869)</u>
Cash and cash equivalents at the end of the period	34,479	30,271

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

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

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

2. BASIS OF PREPARATION

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

During the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16

Amendments to HKFRS 9, HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Covid-19 Related Rent Concessions

Interest Rate Benchmark Reform – Phase 2

3. ESTIMATES

In the application of the Group's accounting policies, the management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience, expectations of the future and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are reviewed if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing this interim unaudited condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2021.

There have been no changes in the risk management policies since year end.

4.2 Liquidity risk

Compared to the year ended 31 December 2021, there had been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022.

4.3 Fair value estimation

As at 31 December 2021 and 30 June 2022 the Group did not have any financial assets or financial liabilities that are measured at fair value.

The carrying values of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

5. REVENUE AND SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it has only one operating segment which is the manufacturing and sales of inflatable products and related accessories.

Since there is only one operating segment of the Group, no further analysis for segment information is presented.

Revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Revenue from customer				
– Sales of inflatable products and related accessories	77,786	83,577	143,970	146,232
– Sub-contracting income	(40)	314	(69)	784
	<u>77,746</u>	<u>83,891</u>	<u>143,901</u>	<u>147,016</u>

Geographical information

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

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Revenue from external customers				
– China	4,698	8,721	7,075	14,265
– Europe	17,821	12,153	26,258	30,736
– Australia and Oceania	653	2,306	2,214	2,821
– North America	37,511	39,631	67,202	61,915
– Asia	16,467	20,821	38,701	37,020
– Central and South America	656	259	656	259
	<u>77,746</u>	<u>83,891</u>	<u>143,901</u>	<u>147,016</u>

6. OTHER INCOME OR GAINS

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Interest income on bank deposits	36	18	44	26
Exchange gain	2,059		2,059	
Grants and subsidies	626	167	626	167
Others	652	538	1,034	559
	<u>3,373</u>	<u>723</u>	<u>3,763</u>	<u>752</u>

7. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on lease liabilities	<u>412</u>	<u>509</u>	<u>847</u>	<u>996</u>

8. INCOME TAX EXPENSE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax for the Period				
Hong Kong Profits Tax	79	1,040	75	1,442
PRC Enterprise Income Tax	95	571	378	1,136
Deferred tax		491	80	636
	<u>174</u>	<u>2,102</u>	<u>533</u>	<u>3,214</u>

The Group is subjected to Hong Kong Profits Tax at a rate of 16.5%.

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Cost of inventories recognised as an expense	57,817	61,559	125,912	110,198
Depreciation of property, plant and equipment	584	730	1,159	1,094
Depreciation of right-of-use assets	1,060	1,052	2,2140	2,045
Amortisation of intangible assets	27	27	53	55
Net foreign exchange losses	(244)	519	(23)	664
Employee benefits expense (including directors' emoluments)				
Salaries, wages and other benefits	11,543	18,515	27,521	31,970
Contribution to retirement benefits schemes	2,048	1,213	4,203	2,335
	13,591	19,728	31,724	34,305

10. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Earnings				
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	(1,394)	5,583	(2,884)	9,418
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	800,000	800,000	800,000	800,000

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the six months ended 30 June 2022 and 2021.

11. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022. (2021: Nil)

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor Vehicle <i>RMB'000</i>	Furniture and Equipment <i>RMB'000</i>	Computer Equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Unaudited six months ended							
30 June 2022							
Cost							
Balance at 31 January 2022	8,760	28,351	1,249	410	2,505	120	41,394
Additions	-	202	-	-	8	309	519
Disposals	-	(60)	-	-	-	-	(60)
Transfer	-	-	-	-	-	-	-
Balance at 30 June 2022	<u>8,760</u>	<u>28,493</u>	<u>1,250</u>	<u>411</u>	<u>2,514</u>	<u>429</u>	<u>41,855</u>
Accumulated depreciation							
Balance at 31 January 2022	7,429	13,859	759	268	1,821	-	24,135
Depreciation expense	136	913	52	13	46	-	1,159
Eliminated on disposals	-	(2,224)	-	-	-	-	(2,224)
Balance at 30 June 2022	<u>7,564</u>	<u>14,770</u>	<u>811</u>	<u>282</u>	<u>1,867</u>	<u>-</u>	<u>25,294</u>
Carrying amounts							
Balance at 30 June 2022	<u>1,196</u>	<u>13,723</u>	<u>438</u>	<u>128</u>	<u>646</u>	<u>4,563</u>	<u>16,561</u>
Balance at 31 December 2021	<u>1,331</u>	<u>14,493</u>	<u>491</u>	<u>141</u>	<u>683</u>	<u>120</u>	<u>17,259</u>

13. INTANGIBLE ASSETS

During the Period, the Group spent approximately RMB92,000 on acquisition of intangible assets (2021: RMB18,000).

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables	70,889	46,309
Less: Allowance for credit losses	<u>(298)</u>	<u>(294)</u>
	70,591	46,015
Value-added tax refundable	2,921	3,612
Deposit paid	3,107	4,143
Other receivables and prepayment	<u>6,135</u>	<u>8,216</u>
	<u>82,756</u>	<u>61,986</u>

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The Group generally allows credit period ranging from 0 to 180 days. No interest is charged on overdue receivables.

The following is an analysis of trade receivables by age, presented based on the invoice date:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
0-30 days	5,296	19,547
31-60 days	5,240	6,002
61-90 days	13,822	2,023
91-120 days	17,847	8,583
121-365 days	<u>28,386</u>	<u>9,860</u>
	<u>70,591</u>	<u>46,015</u>

15. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables	50,109	37,432
Contract liability	3,622	6,445
Accrued salaries and other benefits	9,515	11,497
Other payables and accruals	9,830	5,672
	<u>73,077</u>	<u>61,046</u>

The trade payables are non-interest bearing and the Group is normally granted credit period ranging from 30 to 90 days.

The following is an analysis of trade payables based on the invoice date:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
0-30 days	6,425	12,922
31-60 days	7,596	13,241
61-90 days	15,482	8,670
91-120 days	17,025	1,027
121-365 days	2,879	1,032
Over 365 days	703	540
	<u>50,109</u>	<u>37,432</u>

16. SHARE CAPITAL

The share capital balance as at 30 June 2022 in the unaudited condensed consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	Number of ordinary shares	Share capital <i>HK\$'000</i>	Share capital <i>RMB'000</i>
Ordinary shares of HK\$0.01 each			
Authorised:			
At 31 December 2021 and 30 June 2022	<u>1,000,000,000</u>	<u>10,000</u>	<u></u>
Issued and fully paid:			
At 31 December 2021 and 30 June 2022	<u>800,000,000</u>	<u>8,000</u>	<u>6,969</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is mainly engaged in the manufacturing and sales of inflatable products and related accessories for overseas markets, and has sets its sights in further expanding and developing its business in the healthcare industry, particularly in the oral care industry in China so as to diversify the Group's business and enhance shareholders' value.

The global pandemic remains as the most critical factor that affects our main business and slows down our new business development. The increasing logistic and labor costs eroded our profit margins over the Period. It is uncertain that the situation would continue in the second half of 2022. The Group has been monitoring the situation and considering possible measures including developing new products and implementing cost control measures, in an attempt to minimize the impact to our financial performance.

The development of the new oral care business in China has been affected by the pandemic controls in China such as travel restrictions and lockdown. The Group intends to cooperate with local governments and professional organizations in the oral care industry to build a new innovative oral care service platform. The Group believes that the new business development could be a key driver for the success of our future performance.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately RMB143,901,000 for the Period, representing a decrease of approximately RMB3,115,000 or 2.1% as compared to the revenue of approximately RMB147,016,000 for the corresponding period in 2021. Revenue from the sales of inflatable playgrounds with air blowers for the Period was approximately RMB143,970,000 (2021: approximately RMB130,183,000), representing an increase of approximately RMB13,787,000 or 10.6% compared with the corresponding period in 2021.

An analysis of the Group's revenue for the Period by geographical location is set out in Note 5 to the unaudited condensed consolidated interim financial statements.

Cost of sales

Cost of sales was approximately RMB125,912,000 for the Period, representing a increase of approximately RMB15,715,000 or 14.3% as compared to approximately RMB110,198,000 for the corresponding period in 2021.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB17,989,000 for the Period, representing a decrease of approximately RMB18,829,000 or 51.1% compared with the corresponding period in 2021 (2021: approximately RMB36,818,000). Gross profit margin was approximately 12.5% for the Period, representing a decrease of approximately 12.5% as compared to that of the corresponding period in 2021 (2021: approximately 25.0%).

Other income and gains

Total other income and gains was approximately RMB3,762,000 for the Period, representing an increase of approximately RMB3,010,000 or 400% as compared with that of the corresponding period (2021: approximately RMB752,000). The increase was mainly due to exchange gain RMB2,059,000 ; an increase in miscellaneous income and gains of approximately RMB1,034,000; and increase in grants and subsidies from the PRC government of approximately RMB626,000.

Distribution and selling expenses

Total distribution and selling expenses was approximately RMB13,176,000 for the Period (2021: approximately RMB14,836,000), representing an decrease of approximately RMB1,660,000 or 11.2% as compared to that of the corresponding period in 2021.

Administrative expenses

The administrative expenses was approximately RMB10,079,000 for the Period (2021: approximately RMB9,106,000), representing an increase of approximately RMB973,000 or 10.7% as compared to that of the corresponding period in 2021. The increase was mainly due to the increase in depreciation and amortization expense approximately RMB466,000 as re-classes.

Finance costs

The Group recorded interest on lease liabilities of approximately RMB847,000 for the Period, representing a decrease of approximately RMB149,000 or 15.0% as compared with the corresponding period in 2021 (2021: approximately RMB996,000).

Loss for the period

Loss for the Period was approximately RMB2,884,000, representing a decrease of approximately RMB12,301,000 or 131% as compared with that of the corresponding period (2021: approximately RMB9,418,000).

Dividends

The Board does not recommend the payment of any interim dividend for the Period (2021: Nil).

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

The Group finances its liquidity and financial requirements primarily through cash generated from operations and equity contributed from the shareholders of the Company.

As at 30 June 2022, the Group's total equity attributable to the owners of the Company amounted to approximately RMB118.3 million (31 December 2021: RMB118.7 million).

The current ratio of the Group as at 30 June 2022 was approximately 2.35 as compared to that of approximately 2.58 as at 31 December 2021. The quick ratio of the Group as at 30 June 2022 was approximately 1.53 as compared to that of approximately 1.36 as at 31 December 2021. Since no borrowings was outstanding as at 30 June 2022 and 31 December 2021, no gearing ratio was applicable. The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plan for Material Investments or Capital Assets

During the Period, there was no significant investment held, material acquisition and disposal of subsidiaries, associates and joint ventures by the Company. The Group did not have any plans for material investments of capital assets as at 30 June 2022.

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

Pledge of Assets

As at 30 June 2022, the Group had no assets pledged for bank borrowings or for other purpose (31 December 2021: Nil).

Segment Information

The Group principally operates in one business segment, which is the sale of inflatable products and related accessories.

Commitments

As at 30 June 2022, the Group did not have any significant capital commitments for the acquisition of property, plant and equipment (31 December 2021: Nil).

Foreign Currency Exposure

As the majority of the Group's revenue is denominated in US Dollars but the costs incurred by the Group for the production are denominated in RMB, significant fluctuation in the exchange rate between RMB against US Dollars may materially affect the business results of operations. As a result of the business expansion to overseas markets, the Group will continue to generate a significant amount of sales, assets and liabilities denominated in a currency other than RMB. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which its assets and liabilities are denominated. A depreciation of RMB would require the Group to use more RMB to service the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB may result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date.

Having considered the cost effectiveness with reference to the business model, the Group currently does not have a formal foreign currency hedging policy or engage in hedging activities designed or intended to manage such exchange rate risk during the reporting periods. Because RMB is not freely convertible, the ability of the Group to reduce foreign exchange risk is limited.

Treasury Policies

The Group is exposed to credit risk primarily arising from trade receivables and bank deposits. Trade receivables are from customers with good collection track records with the Group. For trade receivables, the Group has adopted the policy of dealing only with customers of appropriate credit history to mitigate credit risks. No provision of doubtful debts was recognised during the six months ended 30 June 2022 and 2021 because there were subsequent settlements or no historical default of payments by the respective customers and the amounts are still considered recoverable.

Bank deposits are mainly deposits with banks with good credit ratings assigned by international credit-rating agencies or with good reputation. For bank deposits, the Group adopts the policy of dealing only with high credit quality counterparties.

Employees and Remuneration Policies

As at 30 June 2022, the Group had 698 full-time employees (31 December 2021: 953). Most of the employees of the Group are located in the PRC. The total employee remuneration, including remuneration of Directors, for the six months ended 30 June 2021 amounted to approximately RMB31,724,000 (2021: approximately RMB34,305,000).

The Group entered into separate labour contracts with each of its employees in accordance with the applicable labour laws in Hong Kong and the PRC. The Group provides its employees with various benefits including discretionary bonus, contribution to social insurance premium and housing provident fund, and contribution to mandatory provident fund. The Group also offers options that may be granted to employees under the share option scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company (the “**Chief Executive**”) in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”) were as follows:

Long positions in ordinary shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of underlying Shares	Percentage of shareholding (Note 1)
Ms. Yan Ping	Beneficial owner	<u>424,560,000</u>	<u>53.07%</u>

Note:

(1) The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this announcement.

Save as disclosed above, as at 30 June 2022, none of the Directors or the Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

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

As at 30 June 2022, so far as was known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, there was no other person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the shares and underlying shares of the Company which would require disclosure to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company, or as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

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

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

COMPETING AND CONFLICT OF INTERESTS

None of the Directors, the controlling shareholders or substantial shareholders of the Company and their respective close associates had engaged in any business which competes or may compete, directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the Period.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries with all Directors, all Directors confirmed that they had complied with the Required Standard of Dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the Period.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the “**CG Code**”). During the Period, to the best knowledge of the Board, the Company had complied with the applicable code provisions of the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 20 June 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision D.3 of the CG Code. During the Period, the Audit Committee comprised all three independent non-executive Directors and chaired by Ms. Yang Haili (Ms. Lian Jingyu has been appointed as the chairlady of the Audit Committee while Ms. Yang Haili ceased to be the chairlady of the Audit Committee with effect from 30 June 2022). The other members are Ms. Shen Jindan and Mr. Wang Mo (Ms. Deng Xin and Mr. Yam Yiu Ping Bruce have been appointed as the members of the Audit Committee while Ms. Shen Jindan and Mr. Wang Mo ceased to be the members of the Audit Committee with effect from 30 June 2022). The primary duties of the Audit Committee are mainly to review and supervise the financial reporting process and the internal control procedures of the Group.

The unaudited condensed financial results for the Period have not been audited by the Company’s independent auditors, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such results complied with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
China Oral Industry Group Holdings Limited
Yan Ping
Chairman

Hong Kong, 12 August 2022

As at the date of this announcement, the Board comprises Ms. Yan Ping, Mr. Liu Yao Guang and Mr. Xiao Jiansheng as executive Directors; and Ms. Shen Jindan, Ms. Lian Jingyu, Ms. Deng Xin and Mr. Yam Hiu Ping Bruce as independent non-executive Directors.

This announcement will remain on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the Company’s website at www.chinaoral.co.