

中國兒童護理有限公司

China Child Care Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1259

2014

INTERIM REPORT



Contents

Corporate Information	2
Management Discussion and Analysis	3
Unaudited Condensed Consolidated Interim Financial Statements	14
— Condensed Consolidated Income Statement	14
— Condensed Consolidated Statement of Comprehensive Income	15
— Condensed Consolidated Statement of Financial Position	16
— Condensed Consolidated Statement of Changes in Equity	18
— Condensed Consolidated Statement of Cash Flows	20
— Notes to the Condensed Consolidated Interim Financial Statements	22
Supplementary Information to the Interim Report	40

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Zhenhui
(Chairman & Chief Executive Officer)

Mr. Xie Jinling
Mr. Ge Xiaohua
Mr. Huang Xinwen
Ms. Hong Fang

Independent Non-executive Directors

Mr. Chen Shaojun
Mr. Ren Yunan
Mr. Wong Wai Ming

BOARD COMMITTEES

Audit Committee Members

Mr. Wong Wai Ming (Chairman)
Mr. Chen Shaojun
Mr. Ren Yunan

Nomination Committee Members

Mr. Ren Yunan (Chairman)
Mr. Chen Shaojun
Mr. Wong Wai Ming

Remuneration Committee Members

Mr. Ren Yunan (Chairman)
Mr. Li Zhenhui
Mr. Wong Wai Ming

JOINT COMPANY SECRETARIES

Ms. Huang Yishan
Ms. So Yee Kwan

AUDITORS

Ernst & Young

PRINCIPAL BANKER

Agricultural Bank of China Limited
Zhangzhou Branch

STOCK CODE

1259

COMPANY WEBSITE

www.princefrog.com.cn

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 162, North Huancheng Road
Longwen Industrial Development Zone
Zhangzhou, Fujian
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 602A-3, 6/F
Ocean Centre, Harbour City
5 Canton Road, Tsimshatsui
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services
Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Management Discussion and Analysis

In the first half of 2014, China Child Care Corporation Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) continued to put effort in expanding the Group’s sales channels in the second, third and fourth-tier cities of the People’s Republic of China (the “PRC”) so as to consolidate its market leading position in these cities. The Group also actively opened up sales channels in large supermarket chains in China. Though the Group actively expanded its channels and carried out various promotional activities, revenue for the first half of 2014 slightly decreased as compared with the corresponding period in 2013, which was affected by factors such as intense market competition, decrease in consumer demand and so forth. However, the Group believes that the brand “Frog Prince” has gradually built its solid image foundation and the Group was honoured with the following awards and recognitions in the first half of 2014:

- On 15 March 2014, the Group was awarded the title of “Excellent Enterprise for Trustworthy Quality and Service in China” (全國品質和服務誠信優秀企業) by China Quality Inspection Association.
- On 20 March 2014, Mr. Wen Wenzhong, director of the research and development and quality guarantee department of the Group, was appointed as a member of “National Technical Committee on Fragrance and Flavor Cosmetic of Standardisation Administration (全國香精化妝品標準化技術委員會) (SAC/TC257)” by the Standardisation Administration of the PRC.
- On 16 April 2014, the babies’ and toddlers’ washing and skin care products with the brand of “Frog Prince” of the Group ranked the “first place in 2013 overall market share among similar products” jointly appraised and elected by China General Chamber of Commerce and China National Commercial Information Centre.
- On 22 May 2014, the Group was awarded the title of “2013 Annual Commended Enterprise of the Year for Brand Competitiveness” (中國工業企業品牌競爭力2013年度評價表彰企業) by the Ministry of Industry and Information Technology of the PRC.
- On 6 June 2014, the Group was awarded the title of “Excellent Enterprise for Quality Inspection Work in China” (全國品質檢驗工作先進企業) (2011-2013) by China Quality Inspection Association.
- On 13 June 2014, the animation and cartoon image of “Frog Prince” was selected as the “Cartoon Images of the Year on the List of Top Cartoon Brand 2012-2013” (2012-2013天下動漫風雲榜 — 年度動漫形象) by Cartoon Commission of the Chinese TV Artists Association (中國電視藝術家協會卡通藝術委員會), Chinese Cartoon Industry Forum (中國卡通產業論壇) and China A&C Source (中國動漫資源網) jointly.
- On 19 June 2014, the Group was awarded the title “Enterprise Model of Industrial Brand Development in China” (全國工業品牌培育示範企業) by the Ministry of Industry and Information Technology of the PRC.

Management Discussion and Analysis (continued)

BUSINESS REVIEW

For the six months ended 30 June 2014, the Group recorded revenue of approximately RMB583.7 million, representing a decrease of about 7.0% over RMB627.9 million for the corresponding period in 2013. In the first half of 2014, the Group's revenue from children's personal care products decreased by about 7.5% as compared with the corresponding period of last year, amounting to approximately RMB526.1 million. In the context of reduced consumer demand and more rainy weather in the second quarter of 2014, revenue from children's body and hair care products decreased by about 17.4% as compared with the corresponding period of last year. Children's oral care products became a new highlight in the development of the Group's business for the first half of 2014, revenue from which amounted to approximately RMB74.1 million, representing an increase of about 8.0% as compared with the corresponding period of last year. For the six months ended 30 June 2014, the net profit of the Group was approximately RMB117.5 million, representing an increase of about 61.4% as compared with RMB72.8 million for the corresponding period in 2013, mainly because Frog Prince (China) Daily Chemicals Co., Ltd. ("Frog Prince (China)") became entitled to the preferential income tax rate for High-New Technology Enterprises in April 2014, and was taxed at a preferential tax rate of 15% with retrospective effect starting from the year ended 31 December 2013 and for the years ending 31 December 2014 and 2015. As a result, a write-back of tax provision of RMB40.9 million in respect of the year ended 31 December 2013 was made during the six months ended 30 June 2014.

Though facing an unfavorable market environment, the Group actively carried out a series of measures to consolidate its leadership in the market, including:

1. Differentiated animation marketing strategies

In the first half of 2014, the Group continued its adherence to the differentiated animation marketing strategies and further promoted its brand by means of interstitial advertising. Since the first release of the third season (totalling 52 episodes) of the "Frog Prince" animation series "Frog Prince School" (《蛙蛙學校》) of the Company on CCTV children's channel on 15 November 2013, it has been broadcast by means of interstitial advertising on 224 provincial and local TV stations across the country, and also on cartoon channels of satellite TV such as Aniworld Satellite TV and Kaku Children Satellite TV as well as online video platforms in the first half of 2014. The Group produced 253 "Frog Prince" animation by-products, based on "Frog Prince School" (《蛙蛙學校》), as promotion items for promotion in terminal stores and through e-commerce channels. In addition, the salesmen of the Group in "Frog Prince" human-shaped doll outfits at the activities in terminal stores would lead children to dance and sing "Seven-coloured Dreams", the theme song of "Frog Prince School" (《蛙蛙學校》). Accordingly, the intimacy image of "Frog Prince" brand was also promoted. In future, the Group will continuously explore marketing resources from animation and carry out deep animation marketing in the omni-channel.

Management Discussion and Analysis (continued)

2. Vigorous expansion of sales channels

In the first half of 2014, while tapping further into conventional sales channels, the Group also actively opened up new markets by continuously distributing products to supermarkets and convenience stores via distributors. Distributors increased from 214 as at the end of 2013 to 223, spreading from provinces to autonomous regions all across the country. In the first half of 2014, the Group gained a new presence in 958 large and small supermarket stores in China and completed its entry deployment in Walmart and RT-MART.

In addition, the Group actively expanded the e-commerce sales channels by establishing a sales model including online sub-distributors with Tmall (www.tmall.com) as the core, coupled with the expansion of Jingdong Mall (www.jd.com), Taobao.com (www.taobao.com), Yihaodian (www.yihaodian.com) and other mainstream e-commerce platforms and online distribution business. In the first half of 2014, the Group continued to boost its e-commerce sales through our e-commerce distributors by increasing the number of online sub-distributors to 256 from 249 as at the end of 2013 and by conducting a series of online marketing activities.

3. Launch of diverse promotion campaigns

In the first half of 2014, the Group launched the two-way interactive marketing campaigns which covered both the off-line and on-line promotions. Through theme events delivering the core brand positioning of “Frog Prince Brand Specially for Children Aged 3-12” (青蛙王子更適合3-12歲兒童使用) to the consumers, the brand image was enhanced comprehensively. To name a few, the Group held nearly 3,000 large-scale promotional activities in more than 1,200 key stores located in approximately 200 cities of key provinces across the country under the themes of “Grow up-goodbye babies’ products” (長大—再見嬰兒用品) and “Grow up-more companion” (長大—多陪伴) in March and May 2014 respectively; in the meantime, the Group produced posters in both cartoon and real person versions and put them on the online platforms, which delivered to the consumers the concept of “babies’ products not suited for grown-up children” (長大了就不該再用嬰兒產品) through the sense of conflict in the images. On “June 1” International Children’s Day, the Group held large-scale roadshows in over 34 cities nationwide at the same time under the theme of “Grow up-more companion” (長大—多陪伴). As a continuation of the “Frog Prince” brand concept of being companion alongside children’s healthy growth, the Group through online platform encouraged the children to plan the itinerary of “June 1” themselves and emphasised the parents’ companion for children during the “June 1” holiday. The Group also held nearly 2,000 weekend promotional activities in the key chain supermarket stores across the country.

Management Discussion and Analysis (continued)

4. Accurate brand communications

The Group continued its cooperation with the hot TV programme namely “Where Are We Going, Dad?” in 2013. In the first half of 2014, the Group went into the advertising partnership with the movie of “Where Are We Going, Dad?” and the second season of TV programme of “Where Are We Going, Dad?” and, at the same time, were in in-depth advertising cooperation with Hunan TV, Anhui TV, Yunnan TV and other local TV stations in order to maintain the visibility of the brand. In the first half of 2014, through Focus Media, the Group ran video advertisements in the large-scale supermarkets, such as Walmart, Carrefour, CR Vanguard, etc., in the cities including Shanghai, Hangzhou, Zhengzhou and Harbin. Such advertisements successfully reached the targeted consumers in the end markets and therefore accomplished the terminal interception. To have the targeted consumers be more familiar with the brand, in February 2014, the beginning of new semester, the Group also placed advertisements on the outdoor light boxes near 486 kindergartens in the second and third-tier cities such as Jinan, Chengdu and Wuhan. In order to cater for the media preference of young mothers, the Group continued to launch comprehensive internet marketing and promotion via 6 major modes of internet communication platforms, including Weibo marketing, article marketing, knowledge marketing, Q&A marketing, internet media collaboration and information detection.

EXCELLENCE IN QUALITY CONTROL

Product quality and safety control have always been the focus of management of the Group. All the babies’ and children’s personal care products currently produced by the Group not only meet the national standards of the PRC, but also comply with the requirements on the safety and specification for cosmetic products of the European Union. The production base located in the new industrial park of the Group has passed the “Cosmetics — Guidelines on Good Manufacturing Practices (2008)” Certification System and “ISO22716: 2007 (e) Cosmetics — Good Manufacturing Practices Standards (GMP)” of the United States Food and Drug Administration. Quality inspection is in place for all major production procedures, with routine and spot checks on all raw materials, semi-products and finished products to ensure perfect quality.

In the first half of 2014, the Group, leveraging on the development of the “Standardisation Research Base for Cosmetic Products for Chinese Children”, collated and amended various management standards and work standards of the enterprise. The Group has passed the expert review on enterprise production standards. The requirements of above enterprise standards are more stringent than the national standards in terms of safety. The manufacture standards are independent intellectual property of the Group.

Management Discussion and Analysis (continued)

CONTINUOUS INVESTMENT IN RESEARCH & DEVELOPMENT (R&D)

In the first half of 2014, the Group continued to scale up its investment in R&D and cooperate with South China University of Technology on a series of scientific research projects with a view to enhance the Group's capabilities in R&D and applications of babies' and children's personal care products. In order to improve the professional skills of the technicians, the Group also organised seminars conducted by professors from colleges and universities as well as industrial experts on the professional skills of cosmetics, relevant laws and regulations, formula systems, etc. Meanwhile, the Group actively collaborated with industry-leading product content suppliers, in fields such as plant extraction and formula optimisation, to develop more natural and moisturising products to strengthen the Group's core competitiveness. Frog Prince (China) was granted the High-New Technology Enterprise Certificate. The Group also submitted applications for patents from time to time. The successful filing of which will further prove the Group's R&D capability in children's cosmetics and protect the Group's independent intellectual property.

SOCIAL RESPONSIBILITY

On 18 May 2014, the Group donated RMB1 million to China Women's Development Foundation. The fund will be utilised to support the charity project titled "Safeguard the Childhood" (守護童年), which was hosted by the All China Women's Federation and co-sponsored by China Women's Development Foundation together with over 100 non-profit organisations. Based on such project, the Group organised charity summer camp of "Safeguard the Childhood" (守護童年), which particularly targeted the children at appropriate age and parents. The camp aimed at establishing a charity platform to promote the knowledge of prevention of harm to children and to facilitate the interactions and communications between children and parents.

On 24 May 2014, the Group and Blue Bird Seeds (青鳥種子) of China Charities Aid Foundation for Children co-sponsored a large-scale public education lecture "Are you loving in an appropriate way—Understanding the father" (你愛對了嗎—發現父親) in Beijing. The lecture invited Dongzi, a famous education expert in China, to be the speaker and attracted more than 300 parents to attend the lecture.

On "June 1" International Children's Day of 2014, the Group launched a series of children caring activities within the enterprise, such as giving customised presents for children of all the employees and organising activity for caring the oral health of children.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

For the six months ended 30 June 2014, revenue of the Group was approximately RMB583.7 million, representing a decrease of about 7.0% as compared to RMB627.9 million for the six months ended 30 June 2013. During the reporting period, the revenue from children's personal care products of the Group was approximately RMB526.1 million, representing a decrease of about 7.5% over the same period of last year (for the six months ended 30 June 2013: RMB569.1 million). Revenue from other products, including OEM products, increased to approximately RMB36.5 million, representing an increase of about 15.1% as compared to RMB31.7 million for the six months ended 30 June 2013. The decrease in the revenue of the Group as compared to the same period of last year was mainly attributable to: firstly, the slowing down of growth of domestic economics; and secondly, the decrease of the consumers' demand resulting from abnormal weather such as increased rainfall in the second quarter of 2014.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the six months ended 30 June 2014 was approximately RMB278.2 million, representing a decrease of about 7.5% as compared to RMB300.6 million for the six months ended 30 June 2013. During the reporting period, the gross profit margin slightly decreased by around 0.2 percentage point over the same period of last year to about 47.7% (for the six months ended 30 June 2013: 47.9%).

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. Selling and distribution expenses amounted to approximately RMB149.6 million for the six months ended 30 June 2014, representing a decrease of about 6.1% as compared to RMB159.4 million for the six months ended 30 June 2013. The selling and distribution expenses accounted for about 25.6% of the revenue during the reporting period (for the six months ended 30 June 2013: 25.4%). In the first half of 2014, the Group still continued to firmly conduct the brand publicity and invest in the marketing on traditional advertisements, internet and charity activities, so as to increase the brand recognition of "Frog Prince". In addition, the Group continuously launched various in-shop promotion activities to facilitate end-user consumption with cute cartoon gifts.

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, other taxes and other expenses. The Group's administrative expenses amounted to approximately RMB40.5 million for the six months ended 30 June 2014 (for the six months ended 30 June 2013: RMB38.5 million). The slight increase in administrative expenses was mainly due to the increase in the depreciation expenses. Administrative expenses accounted for about 6.9% of the revenue during the reporting period (for the six months ended 30 June 2013: 6.1%).

Management Discussion and Analysis (continued)

Finance Costs

The Group had no financing items including bank borrowings during the reporting period.

Net Profit and Net Profit Margin

For the six months ended 30 June 2014, profit attributable to the equity holders of the Company amounted to approximately RMB117.5 million, representing an increase of about 61.4% as compared to RMB72.8 million for the six months ended 30 June 2013. The net profit margin increased by around 8.5 percentage points to about 20.1% from 11.6% for the six months ended 30 June 2013, with basic earnings per share being approximately RMB11.6 cents (for the six months ended 30 June 2013: RMB7.2 cents). This was mainly because Frog Prince (China) became entitled to the preferential income tax rate for High-New Technology Enterprises in April 2014 with retrospective effect starting from the year ended 31 December 2013. Therefore, the tax rate applicable to the Group for the year ended 31 December 2013 and for the years ending 31 December 2014 and 2015 decreased from 25% to 15%. As a result, a write-back of tax provision of RMB40.9 million in respect of the year ended 31 December 2013 was made during the reporting period.

Capital Expenditure

For the six months ended 30 June 2014, the Group's major capital expenditure amounted to approximately RMB34.9 million, including expenditure incurred in the construction of phase II of the new plant at the new industrial park in Longwen Industrial Development Zone, Zhangzhou, Fujian Province, the PRC.

Financial Resources and Liquidity

As at 30 June 2014, cash and cash equivalents owned by the Group amounted to approximately RMB902.2 million (31 December 2013: RMB858.6 million). The current ratio was 5.1 (31 December 2013: 7.7). The Group's liquidity remained healthy. The Group's holding of the above balance of cash and cash equivalents was mainly due to the retention of funds for the following purposes: firstly, to complete the construction and installation of phase II of the plant, planning to house management's office, R&D centre and toothpaste production line at the new industrial park of the Group; secondly, to enhance the marketing and promote the brand and products of the Group; and thirdly, to capture the potential opportunity of acquisition in the future.

Management Discussion and Analysis (continued)

Trade Receivables and Turnover Days

During the reporting period, the Group's turnover days of trade receivables came to 38.7 days (for the six months ended 30 June 2013: 39.0 days; for the year ended 31 December 2013: 25.5 days), calculated as the average of the beginning and ending balances of trade receivables for the period/year divided by total revenue for the period/year and multiplied by 180 days (for a half year)/365 days (for a whole year). The Group usually grants a credit period of 30 to 60 days to its customers and therefore the trade receivables turnover days were within the normal credit period. The turnover days of trade receivables for the period stayed flat as compared to the same period in 2013.

As at 30 June 2014, the Group's trade receivables amounted to approximately RMB127.1 million, representing an increase of about 2.7% as compared to that as at 31 December 2013 (31 December 2013: RMB123.7 million). The increase was mainly attributable to the seasonal factor, as June was the peak season while December was the slack season. The Group was of the view that such balances were normal and stable.

Trade and Bills Payables and Turnover Days

During the reporting period, trade and bills payables turnover days came to 59.5 days (for the six months ended 30 June 2013: 41.0 days; for the year ended 31 December 2013: 27.9 days), calculated as the average of the beginning and ending balances of trade and bills payables for the period/year divided by cost of sales for the period/year and multiplied by 180 days (for a half year)/365 days (for a whole year). The increase in trade and bills payables turnover days was mainly because the Group strengthened its bargaining power by conducting bulk procurements with the suppliers, and therefore the relevant payment terms in contracts became more favourable. The Group settled its payables within one to six months in general and kept good payment records.

As at 30 June 2014, the Group's trade and bills payables amounted to approximately RMB129.0 million, representing an increase of about 77.2% as compared to that as at 31 December 2013 (31 December 2013: RMB72.8 million).

Inventory Turnover Days

During the reporting period, inventory turnover days came to 45.4 days (for the six months ended 30 June 2013: 32.0 days; for the year ended 31 December 2013: 20.1 days), calculated as the average of the beginning and ending balances of inventories for the period/year divided by cost of sales for the period/year and multiplied by 180 days (for a half year)/365 days (for a whole year). The increase in inventory turnover days compared with the same period in 2013 was mainly due to the decrease in sales of the Group in the second quarter of 2014.

Management Discussion and Analysis (continued)

Gearing Ratio

As of 30 June 2014, current assets of the Group were RMB1,194.1 million, total assets were RMB1,645.2 million respectively, current liabilities were RMB232.6 million and total liabilities were RMB245.2 million respectively. The gearing ratio (total liabilities/total assets) of the Group was 14.90% (31 December 2013: 9.94%).

Bank Borrowings

As at 30 June 2014, the Group had no bank borrowings (31 December 2013: Nil).

Pledge of Assets

As at 30 June 2014, the Group had pledged deposits of RMB2.3 million for bills payable and guarantees to the bank in connection with the amounts advanced by the bank to certain of the Group's customers for the settlement of the trade balances due from these customers to the Group (31 December 2013: Nil).

Capital Structure

The major objective of the Group's capital management is to ensure the ability of sustainable operations and maintain a healthy capital ratio in order to support its businesses and maximise the shareholders' interests. The Group continued to emphasise the appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital cost.

Risk of Foreign Exchange

As at 30 June 2014, the Group was not exposed to any major risks from foreign exchange fluctuations and new foreign exchange forward contracts have been signed to hedge against foreign exchange fluctuations during the period.

Contingent Liabilities

During the period, the Group entered into a banking facility arrangement with a bank in Mainland China for providing guarantees to the bank in connection with the amounts advanced by the bank to certain of the Group's customers for the settlement of the trade balances due from these customers to the Group. At 30 June 2014, the Group had pledged deposits of RMB1,000,000 placed with the bank for this banking facility arrangement, and executed guarantees of a total of approximately RMB12,200,000 (2013: Nil) to the bank in connection with the amounts advanced to these customers by the bank, of which RMB9,266,000 had been utilised as at 30 June 2014.

Management Discussion and Analysis (continued)

FUTURE PROSPECTS

The potential market demand for children's personal care products is huge. Since the Chinese government initiated in the second half of 2013 a policy that if one of a couple is the only child, they are allowed to have two children (單獨兩孩政策), 29 provinces, districts and cities except for Tibet and Xinjiang have legally commenced to implement such policy. Influenced by the policy as well as the "baby boom echo" brought by the last baby boom in the 1980s, it is estimated that China might see another baby boom in the coming years, sustaining demand for children's personal care products. In future, the Group will continue to focus on the development of this core business segment, in particular our "Frog Prince" brand personal care products targeting children aged 3 to 12, to further promote its core brand value of "Better nourished babies, happier mothers" (孩子更滋潤，媽媽更開心).

With regard to distribution channels, the Group will continue to pursue its "Branding comes first" philosophy and press ahead with the transformation of its channels. The Group will continuously increase its market share in first-tier cities and supermarket chains operated by international giants across China, while consolidating the market share and boosting market penetration in the second, third and fourth-tier cities, so as to increase its sales revenue. The Group will also synchronise online and offline marketing to generate synergy in an effort to develop niche markets via the e-commerce channel.

In terms of products, the Group will continue to market its market-leading skin care series products for children as the Group's core offerings and develop its children's body and hair care series and children's oral care products to be the Group's other two core offerings. As such, the Group will have three core categories, which would in turn help boost the market share of other offerings of the Group. Further, the Group will gradually shift the positioning of products from middle-end to middle and high-end. This will be achieved through continuous improvement of products contents, upgrading of packaging and design of outward appearance, in accordance with the preferences and consumption habits of different consumers.

As for marketing, the Group will continue to make use of an animated cartoon culture as its differentiated marketing strategy. Infusing the brand with different cultural connotations through animated cartoons and community activities, which are also differentiated marketing strategies, to cultivate consumers' recognition with the brand. In the meantime, the Group will also continue to consolidate the brand positioning of "Frog Prince", communicating that it cares for the growth of children aged 3 to 12 through its terminal market activities and introduce the consumption concept of "skin care products for children" to enhance brand loyalty of consumers.

Management Discussion and Analysis (continued)

Regarding the innovation and R&D, the Group will also step up the works for the project of "Standardisation Research Base for Cosmetic Products for Chinese Children" (中國兒童化妝品標準化研究基地) in conjunction with the Standardisation Administration of the PRC, and the project of "Children's Cosmetics Research Base of the Department of Applied Chemistry of South China University of Technology" (華南理工大學應用化學系兒童化妝品科研基地) in conjunction with South China University of Technology, with a view to strengthening the Group's core competitiveness by increasing R&D input.

Regarding social responsibility, the Group will continue to promote social events, such as "Half-day holiday on June 1" (六一半天假), "Safeguard the Childhood" (守護童年), "Charity Forum" (公益大講堂) and etc.

Looking ahead, the Group will continue to adhere to its mission, which is: "To provide safer, more reliable and more professional personal care products for children" (為孩子們提供更安全、更放心、更專業的個人護理產品), to capitalise on the enormous business opportunities brought about by the fast expansion of China's consumer market, and to focus on the steady and healthy growth of our core business to generate higher shareholder value continuously.

EMPLOYEES AND REMUNERATION

As at 30 June 2014, the Group employed 1,443 employees (31 December 2013: 1,840 employees). The decrease in the number of employees is mainly due to 1. improvement of automated production facilities; 2. better process procedure and structure; and 3. decrease in demand for summer internships. In addition to basic salaries, year-end bonuses may be awarded to those staff members with outstanding performance. Constituent companies of the Group established in Mainland China are also subject to social insurance contribution plans required by the PRC government. In accordance with the relevant national and local labour and social welfare laws and regulations, constituent companies of the Group established in Mainland China are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance.

In addition, a share option scheme was adopted by the Company in June 2011 to reward staff members who make contributions to the success of the Group. The directors believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

The Group also provides training to its employees to help them master relevant skills.

DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend to shareholders of the Company for the six months ended 30 June 2014.

Unaudited Condensed Consolidated Interim Financial Statements

The board of directors (the "Board") of China Child Care Corporation Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2014 together with the unaudited comparative figures for the corresponding period in 2013 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

Condensed Consolidated Income Statement

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
REVENUE	4	583,700	627,873
Cost of sales		(305,505)	(327,275)
Gross profit		278,195	300,598
Other income and gains	4	9,801	7,073
Selling and distribution expenses		(149,638)	(159,375)
Administrative expenses		(40,541)	(38,453)
Other operating expenses		(1,085)	(1,316)
PROFIT BEFORE TAX	5	96,732	108,527
Income tax credit/(expense)	6	20,752	(35,685)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD		117,484	72,842
EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	8		
Basic		RMB11.6 cents	RMB7.2 cents
Diluted		RMB11.6 cents	RMB7.2 cents

Details of the dividend are disclosed in note 7 to the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
PROFIT FOR THE PERIOD	117,484	72,842
Other comprehensive income/(loss): Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods: Exchange differences on translating operations outside Mainland China	(940)	525
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD	116,544	73,367

Condensed Consolidated Statement of Financial Position

30 June 2014

	Notes	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	418,882	391,693
Prepaid land lease payments		18,947	19,164
Intangible assets		2,343	3,063
Prepayments and deposits		11,007	9,372
Total non-current assets		451,179	423,292
CURRENT ASSETS			
Inventories		97,538	56,608
Trade receivables	10	127,103	123,717
Amount due from a related company		1,669	1,653
Prepayments, deposits and other receivables		17,241	4,170
Available-for-sale investments		46,000	—
Pledged deposits		2,330	—
Cash and cash equivalents		902,173	858,579
Total current assets		1,194,054	1,044,727
CURRENT LIABILITIES			
Trade and bills payables	11	128,956	72,811
Amount due to a related company		383	—
Other payables and accruals		59,900	36,572
Tax payable		3,124	25,576
Dividend payable	7	40,214	—
Total current liabilities		232,577	134,959
NET CURRENT ASSETS		961,477	909,768
TOTAL ASSETS LESS CURRENT LIABILITIES		1,412,656	1,333,060
NON-CURRENT LIABILITY			
Deferred tax liabilities	12	12,600	10,900
Net assets		1,400,056	1,322,160

Condensed Consolidated Statement of Financial Position (continued)

30 June 2014

	Notes	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	13	8,386	8,385
Reserves		1,391,670	1,313,775
Total equity		1,400,056	1,322,160

Li Zhenhui
Director

Hong Fang
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to ordinary equity holders of the Company								Total RMB'000
	Issued capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	
At 1 January 2014 (audited)	8,385	528,634*	10,816*	11*	92,092*	16*	6,336*	675,870*	1,322,160
Exchange differences on translation of operations outside Mainland China	—	—	—	—	—	—	(940)	—	(940)
Profit for the period	—	—	—	—	—	—	—	117,484	117,484
Total comprehensive income for the period	—	—	—	—	—	—	(940)	117,484	116,544
Exercise of share options	1	162	(46)	—	—	—	—	—	117
Equity-settled share option arrangements	—	—	1,449	—	—	—	—	—	1,449
2013 final dividend declared	—	(40,214)	—	—	—	—	—	—	(40,214)
At 30 June 2014 (unaudited)	8,386	488,582*	12,219*	11*	92,092*	16*	5,396*	793,354*	1,400,056

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2014

	Attributable to ordinary equity holders of the Company								Total RMB'000
	Issued capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	
At 1 January 2013 (audited)	8,366	571,012	7,724	11	62,147	8	4,117	506,245	1,159,630
Exchange differences on translation of operations outside Mainland China	—	—	—	—	—	—	525	—	525
Profit for the period	—	—	—	—	—	—	—	72,842	72,842
Total comprehensive income for the period	—	—	—	—	—	—	525	72,842	73,367
Exercise of share options	19	5,605	(1,577)	—	—	—	—	—	4,047
Equity-settled share option arrangements	—	—	3,774	—	—	—	—	—	3,774
2012 final dividend declared and paid	—	(48,251)	—	—	—	—	—	—	(48,251)
At 30 June 2013 (unaudited)	8,385	528,366	9,921	11	62,147	8	4,642	579,087	1,192,567

* These reserve accounts comprise the consolidated reserves of RMB1,391,670,000 (31 December 2013: RMB1,313,775,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		96,732	108,527
Adjustments for:			
Interest income received from banks	4	(5,112)	(2,912)
Income derived from available-for-sale investments	4	(2,648)	(1,729)
Income derived from an entrusted loan receivable	4	—	(1,174)
Depreciation	5	7,683	5,911
Amortisation of prepaid land lease payments	5	217	217
Amortisation of intangible assets	5	720	720
Equity-settled share option expense	5	1,449	3,774
		99,041	113,334
Increase in inventories		(40,930)	(28,935)
Increase in trade receivables		(3,386)	(41,163)
Increase in prepayments, deposits and other receivables		(13,071)	(10,103)
Increase in trade and bills payables		56,145	17,336
Increase in other payables and accruals		23,328	22,873
Movements in balances with related parties		367	4,593
Exchange realignment		(758)	844
		120,736	78,779
Cash generated from operations		120,736	78,779
Interest received		5,112	2,912
PRC tax paid		—	(27,852)
		125,848	53,839
Net cash flows from operating activities		125,848	53,839

Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	9	(34,872)	(54,318)
Proceeds from disposal of items of property, plant and equipment		—	173
Deposits for purchase of items of property, plant and equipment		(1,635)	(2,785)
Deposits for purchase of intangible assets		—	(2,480)
Decrease/(increase) in available-for-sale investments		(46,000)	92,920
Income derived from available-for-sale investments		2,648	1,729
Decrease in an entrusted loan receivable		—	80,000
Income derived from entrusted loan receivable		—	1,174
Increase in pledged deposits		(2,330)	(67)
Increase in time deposits with original maturity of more than three months when acquired		—	(6,000)
Net cash flows from/(used in) investing activities		(82,189)	110,346
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of ordinary shares		117	3,204
Dividend paid		—	(48,251)
Net cash flows from/(used in) financing activities		117	(45,047)
NET INCREASE IN CASH AND CASH EQUIVALENTS		43,776	119,138
Cash and cash equivalents at beginning of period		851,579	642,877
Effect of foreign exchange rate changes, net		(182)	(319)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		895,173	761,696
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		902,173	767,696
Non-pledged time deposits with original maturity of more than three months when acquired		(7,000)	(6,000)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		895,173	761,696

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

1. CORPORATE INFORMATION

Prince Frog International Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 11 January 2011. Pursuant to a special resolution passed at the annual general meeting of the Company held on 5 June 2014 and approval from the Registrar of Companies in the Cayman Islands, the name of the Company changed from Prince Frog International Holdings Limited to China Child Care Corporation Limited. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is located at No. 162 North Huancheng Road, Longwen Industrial Development Zone, Zhangzhou City, Fujian Province, the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sale of personal care products. There were no significant changes in the nature of the Group's principal activities during the period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements under Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2013, except in relation to the following new and revised International Financial Reporting Standards ("IFRSs") which are effective for the Group's financial year beginning on 1 January 2014.

IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>

The adoption of the new and revised IFRSs has had no material effect on the Group's results and financial position.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has three reportable operating segments as follows:

- (a) the children's personal care products segment manufactures and trades Frog Prince branded skin care, body and hair care, oral care and diaper and tissue products;
- (b) the adults' personal care products segment manufactures and trades Frog Prince branded oral care products and other skin care products; and
- (c) the other products segment comprises, principally, the manufacture of skin care products, body and hair care products for branding and resale by others.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income derived from banks, other unallocated income and gains as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude property, plant and equipment except for plant and machinery, prepaid land lease payments, prepayments, deposits and other receivables, an amount due from a related company, available-for-sale investments, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude an amount due to a related company, other payables and accruals, tax payable, dividend payable and deferred tax liabilities as these liabilities are managed on a group basis.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

3. OPERATING SEGMENT INFORMATION (continued)

	Children's personal care products RMB'000	Adults' personal care products RMB'000	Other products RMB'000	Total RMB'000
Six months ended 30 June 2014 (unaudited)				
Segment revenue:				
Sales to external customers	526,142	21,064	36,494	583,700
Segment results	245,170	6,234	6,394	257,798
Interest income derived from banks				5,112
Other unallocated income and gains				4,689
Corporate and other unallocated expenses				(170,867)
Profit before tax				96,732
Six months ended 30 June 2013 (unaudited)				
Segment revenue:				
Sales to external customers	569,101	27,026	31,746	627,873
Segment results	234,211	12,621	6,765	253,597
Interest income derived from banks				2,912
Other unallocated income and gains				4,161
Corporate and other unallocated expenses				(152,143)
Profit before tax				108,527

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

3. OPERATING SEGMENT INFORMATION (continued)

	Children's personal care products RMB'000	Adults' personal care products RMB'000	Other products RMB'000	Total RMB'000
Six months ended 30 June 2014 (unaudited)				
Segment assets	235,619	5,139	26,967	267,725
<i>Reconciliation:</i>				
Corporate and other unallocated assets				1,377,508
Total assets				1,645,233
Segment liabilities	112,067	6,092	10,797	128,956
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				116,221
Total liabilities				245,177
Year ended 31 December 2013 (audited)				
Segment assets	190,670	5,317	29,757	225,744
<i>Reconciliation:</i>				
Corporate and other unallocated assets				1,242,275
Total assets				1,468,019
Segment liabilities	61,475	3,519	7,817	72,811
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				73,048
Total liabilities				145,859

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
<i>Revenue</i>		
Sales of goods	583,700	627,873
<i>Other income and gains</i>		
Interest income derived from banks	5,112	2,912
Income derived from available-for-sale investments	2,648	1,729
Income derived from an entrusted loan receivable	—	1,174
Government subsidies*	1,297	504
Net fair value gains on foreign exchange derivative financial instruments – transactions not qualified as hedges	388	213
Others	356	541
	9,801	7,073
	593,501	634,946

* There are no unfulfilled conditions or contingencies relating to these subsidies.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Cost of inventories sold	305,505	327,275
Depreciation*	7,683	5,911
Amortisation of prepaid land lease payments	217	217
Amortisation of intangible assets	720	720
Minimum lease payments under operating leases on land and buildings*	933	769
Loss on disposal of items of property, plant and equipment#	—	119
Employee benefit expenses* (including directors' remuneration):		
Wages and salaries	36,626	34,388
Equity-settled share option expense	1,449	3,774
Retirement benefit scheme contributions	2,265	1,406
	40,340	39,568
Research and development costs#.^	4,769	3,028

These amounts are included in "Administrative expenses" in the condensed consolidated income statement.

^ The research and development costs for the six months ended 30 June 2014 include RMB1,781,000 (six months ended 30 June 2013: RMB2,047,000) relating to rental expenses of research and development centres and staff costs for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

* Included in the respective balances are the following amounts which are also included in cost of inventories sold disclosed above:

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Depreciation	4,155	3,943
Employee benefit expenses	15,516	14,393
	19,671	18,336

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

6. INCOME TAX EXPENSE/(CREDIT)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2013: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Current — Mainland China		
Charge for the period	18,418	33,685
Overprovision in prior year	(40,870)	—
Deferred	1,700	2,000
Total tax charge/(credit) for the period	(20,752)	35,685

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved and became effective on 1 January 2008. The PRC Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic and foreign-invested enterprises at 25%.

Pursuant to the granting of the High-New Technology Enterprise certificate by the local authority in the PRC in April 2014, Frog Prince (China) Daily Chemicals Co., Ltd. ("Frog Prince (China)"), a wholly-owned subsidiary of the Group operating in Mainland China, which is a wholly-foreign-owned enterprise, was taxed at a preferential tax rate of 15% with retrospective effect starting from the year ended 31 December 2013 and for the years ending 31 December 2014 and 2015.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

7. DIVIDEND

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Dividend declared during the period: Final — HK5.0 cents (2013: HK6.0 cents) per ordinary share	40,214 ⁽ⁱⁱ⁾	48,251 ⁽ⁱ⁾

(i) In respect of the financial year ended 31 December 2012

(ii) In respect of the financial year ended 31 December 2013

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to the equity holders of the Company of RMB117,484,000 (2013: RMB72,842,000) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2014 of approximately 1,010,468,000 (2013: 1,009,222,320).

The calculation of diluted earnings per share amount is based on the profit for the period attributable to the equity holders of the Company of RMB117,484,000 (2013: RMB72,842,000). The weighted average number of ordinary shares of approximately 1,012,403,000 (2013: 1,014,515,424) used in the calculation is the weighted average number of ordinary shares of approximately 1,010,468,000 (2013: 1,009,222,320) in issue during the six months ended 30 June 2014, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares during the period of approximately 1,935,000 (2013: 5,293,104).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
At beginning of period/year, net of accumulated depreciation	391,693	174,575
Additions	34,872	230,582
Disposals	—	(206)
Depreciation provided during the period/year	(7,683)	(13,258)
At end of period/year, net of accumulated depreciation	418,882	391,693

10. TRADE RECEIVABLES

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade receivables	127,103	123,717

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days to 60 days.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

10. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within 1 month	68,756	81,203
1 to 3 months	53,674	41,221
Over 3 months	4,673	1,293
	127,103	123,717

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within 1 month	69,181	55,354
1 to 3 months	59,000	17,451
Over 3 months	775	6
	128,956	72,811

The trade and bills payables are non-interest-bearing and are normally settled on one to six months' terms. The bills payables were secured by the pledge of certain of the Group's time deposits amounting to RMB1,330,000 as at 30 June 2014 (31 December 2013: Nil).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

12. DEFERRED TAX LIABILITIES

Pursuant to the income tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

At 30 June 2014, there were no significant unrecognised deferred tax liabilities (31 December 2013: Nil) for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiary expected to be distributed, after considering the abovementioned factors, in the foreseeable future.

13. ISSUED CAPITAL

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Authorised:		
5,000,000,000 ordinary shares of HK\$0.01 each	41,524	41,524
Issued and fully paid:		
1,010,491,000 (2013: 1,010,414,000) ordinary shares of HK\$0.01 each	8,386	8,385

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

13. ISSUED CAPITAL (continued)

A summary of the movements during the period in the Company's issued share capital is as follows:

	Notes	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares	
			HK\$'000	RMB'000
As at 1 January 2013		1,008,026,000	10,081	8,366
Repurchase and cancellation of shares	(a)	(984,000)	(10)	(8)
Exercise of share options	(b)	3,372,000	34	27
As at 31 December 2013 and 1 January 2014		1,010,414,000	10,105	8,385
Exercise of share options	(c)	77,000	1	1
As at 30 June 2014		1,010,491,000	10,106	8,386

Notes:

- (a) During the year ended 31 December 2013, the Company repurchased its 984,000 ordinary shares at prices ranging from HK\$3.11 to HK\$3.69 per share at a total consideration of approximately HK\$3,367,000 (equivalent to RMB2,658,000). The 984,000 repurchased ordinary shares were cancelled during the year. The premium of approximately HK\$3,357,000 (equivalent to RMB2,650,000) paid on the repurchase of such shares was debited to the share premium account and an amount of approximately HK\$10,000 (equivalent to RMB8,000) was transferred from retained profits of the Company to the capital redemption reserve.
- (b) During the year ended 31 December 2013, the subscription rights attaching to 2,208,000 share options and 1,164,000 share options granted during the years ended 31 December 2011 (the "2011 Options") and 2012, respectively, were exercised at the subscription price of HK\$1.92 per share and HK\$2.94 per share, respectively, resulting in the issue of 3,372,000 shares of HK\$0.01 each for a total cash consideration before expenses of approximately HK\$7,662,000 (equivalent to RMB6,118,000, representing nominal value of ordinary shares of RMB27,000 and share premium of RMB6,091,000). An amount of approximately HK\$3,111,000 (equivalent to RMB2,446,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (c) During the six months ended 30 June 2014, the subscription rights attached to 77,000 share options granted under the 2011 Options were exercised at the subscription price of HK\$1.92 per share, resulting in the issue of 77,000 shares of HK\$0.01 each for a total cash consideration before expenses of approximately HK\$148,000 (equivalent to RMB117,000, representing nominal value of ordinary shares of RMB600 and share premium of RMB116,400). An amount of approximately HK\$58,000 (equivalent to RMB46,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

14. SHARE OPTION SCHEME

On 22 June 2011, the Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include, among others, the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group and the Company's shareholders. The Scheme was conditionally approved on 22 June 2011, and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Scheme became effective on 15 July 2011 upon the listing of the Company's shares on the Main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding the independent non-executive director who or whose associate is the grantee of the option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

14. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme at the end of the reporting period:

	30 June 2014		31 December 2013	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	2.39	17,334	2.37	21,304
Forfeited during the period/year	—	—	2.48	(598)
Exercise of share options	1.92	(77)	2.27	(3,372)
At 30 June/31 December	2.39	17,257	2.39	17,334

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

30 June 2014 Number of options '000	Exercise price HK\$ per share	Exercise period
9,357	1.92	14-10-2012 to 13-10-2021
7,900	2.94	21-06-2013 to 20-06-2022
17,257		

31 December 2013 Number of options '000	Exercise price HK\$ per share	Exercise period
9,434	1.92	14-10-2012 to 13-10-2021
7,900	2.94	21-06-2013 to 20-06-2022
17,334		

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

14. SHARE OPTION SCHEME (continued)

The Group recognised share option expenses of a total RMB1,449,000 (2013: RMB3,774,000) during the period ended 30 June 2014.

At the end of the reporting period, the Company had 17,257,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,257,000 additional ordinary shares of the Company and additional share capital of approximately HK\$173,000 (equivalent to approximately RMB137,000) and share premium of approximately HK\$41,018,000 (equivalent to approximately RMB32,558,000), before issue expenses.

At the date of approval of these condensed consolidated interim financial statements, the Company had 16,744,000 share options outstanding under the Scheme, which represented approximately 1.7% of the Company's shares in issue as at that date.

15. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its warehouses and office premises under operating lease arrangements. Leases for properties are negotiated for terms of one year to three years (31 December 2013: six months to three years) with an option for renewal after that date, at which times all terms will be renegotiated.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 <i>RMB'000</i> (unaudited)	31 December 2013 <i>RMB'000</i> (audited)
Within one year	1,354	912
In the second to fifth years, inclusive	1,882	249
	3,236	1,161

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2014 <i>RMB'000</i> (unaudited)	31 December 2013 <i>RMB'000</i> (audited)
Contracted, but not provided for:		
Construction of buildings	45,984	79,590
Purchase of items of property, plant and equipment	2,129	2,527
	48,113	82,117

17. CONTINGENT LIABILITIES

During the period, the Group entered into a banking facility arrangement with a bank in Mainland China for providing guarantees to the bank in connection with the amounts advanced by the bank to certain of the Group's customers for the settlement of the trade balances due from these customers to the Group. At 30 June 2014, the Group had pledged deposits of RMB1,000,000 placed with the bank for this banking facility arrangement, and executed guarantees of a total of approximately RMB12,200,000 (2013: Nil) to the bank in connection with the amounts advanced to these customers by the bank, of which RMB9,266,000 had been utilised as at 30 June 2014.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

18. RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Related companies:			
Sales of products	(a)	—	162
Rental expenses	(b)	124	124
Purchases of products	(c)	1,090	—

Notes:

- (a) Sales to a related company, Shuangfei Daily Chemicals (USA) Inc. ("Shuangfei (USA)"), which is controlled by Mr. Li Zhenhui ("Mr. Li") and Mr. Xie Jinling ("Mr. Xie"), were made on mutually agreed terms.
- (b) On 1 January 2013, Frog Prince (China), a wholly-owned subsidiary of the Group, and Fujian Shuangfei Daily Chemicals Co., Ltd. ("Fujian Shuangfei"), which is controlled by Mr. Li and Mr. Xie, entered into a supplementary lease agreement. Pursuant to this agreement, Frog Prince (China) leases from Fujian Shuangfei an office building with a total floor area of 2,437 square metres which is for a lease period of thirty-six months ending 31 December 2015 with a fixed monthly rental payable of approximately RMB21,000. The directors confirmed that the rentals were made on mutually agreed terms.
- (c) Purchases from a related company, Fujian Shuangfei, were made on mutually agreed terms.
- (ii) Commitments with related parties

On 1 January 2013, Frog Prince (China) and Fujian Shuangfei entered into a supplementary lease agreement. Pursuant to this agreement, Frog Prince (China) leases from Fujian Shuangfei an office building with a total floor area of 2,437 square metres which is for a lease period of thirty-six months ending 31 December 2015 with a fixed monthly rental payable of approximately RMB21,000. The amount of total rental expenses incurred for the period is included in note 18(i)(b) to the condensed consolidated interim financial statements. The Group expects total rental expenses payable to Fujian Shuangfei during the period from July to December 2014 and the year ending 31 December 2015 to be approximately RMB126,000 and RMB252,000, respectively.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2014

18. RELATED PARTY TRANSACTIONS (continued)

(iii) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Short term employee benefits	2,132	2,140
Post-employment benefits	14	12
Equity-settled share option expense	646	1,623
Total compensation paid to key management personnel	2,792	3,775

The related party transactions in respect of items (i)(a), (i)(b) and (i)(c) above constituted connected transaction or continuing connected transactions, as defined in Chapter 14A of the Listing Rules.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, balances with related companies and dividend payable approximate to their carrying amounts largely due to the short term maturities of these instruments. For the Group's unlisted available-for-sale investments, they were stated at cost less impairment because they are unlisted investment funds that do not have quoted market price in an active market and whose fair value cannot be measured reliably.

20. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 26 August 2014.

Supplementary Information to the Interim Report

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was listed on the Stock Exchange on 15 July 2011. The net proceeds from the Company's issue of new shares after deducting underwriting commissions and related expenses amounted to approximately HK\$646 million (approximately RMB536 million).

	Planned amount per prospectus <i>HK\$ million</i>	Actual net proceeds from the initial public offering <i>HK\$ million</i>	Amount utilised up to 30 June 2014 <i>HK\$ million</i>	Balance as at 30 June 2014 <i>HK\$ million</i>
Strengthening the marketing and promotion of products, expanding and strengthening management of sales networks and channels	285.5	258.4	258.4	—
Expanding and enhancing production facilities and capacities	214.1	193.8	193.8	—
Expanding products offerings	107.1	96.9	96.9	—
Enhancing research and development capabilities	35.7	32.3	31.1	1.2
Working capital and other general corporate purposes	71.3	64.6	64.6	—
Total	713.7	646.0	644.8	1.2

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Details of movements of the Company's share options, granted under the share option scheme, for the six months ended 30 June 2014 are as follows:

Name or category of participants	Date of grant	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2014	Exercise period (Note 2)
			Outstanding as at 1 January 2014	Granted during the period	Exercised during the period (Note 1)	Cancelled during the period	Forfeited/lapsed during the period		
Executive Directors Mr. Li Zhenhui (also a substantial shareholder)	14 October 2011	1.92	800,000	—	—	—	—	800,000	A
			600,000	—	—	—	—	600,000	B
			600,000	—	—	—	—	600,000	C
			2,000,000	—	—	—	—	2,000,000	
	21 June 2012	2.94	144,000	—	—	—	—	144,000	D
			108,000	—	—	—	—	108,000	E
108,000			—	—	—	—	108,000	F	
		360,000	—	—	—	—	360,000		
<i>Sub-total</i>			2,360,000	—	—	—	—	2,360,000	
Mr. Xie Jinling (also a substantial shareholder)	14 October 2011	1.92	400,000	—	—	—	—	400,000	A
			300,000	—	—	—	—	300,000	B
			300,000	—	—	—	—	300,000	C
			1,000,000	—	—	—	—	1,000,000	
	21 June 2012	2.94	320,000	—	—	—	—	320,000	D
			240,000	—	—	—	—	240,000	E
240,000			—	—	—	—	240,000	F	
		800,000	—	—	—	—	800,000		
<i>Sub-total</i>			1,800,000	—	—	—	—	1,800,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2014	Exercise period (Note 2)
			Outstanding as at 1 January 2014	Granted during the period	Exercised during the period (Note 1)	Cancelled during the period	Forfeited/lapsed during the period		
Executive Directors Mr. Ge Xiaohua	14 October 2011	1.92	300,000	—	—	—	—	300,000	B
			300,000	—	—	—	—	300,000	C
			600,000	—	—	—	—	600,000	
	21 June 2012	2.94	320,000	—	—	—	—	320,000	D
240,000			—	—	—	—	240,000	E	
240,000			—	—	—	—	240,000	F	
		800,000	—	—	—	—	800,000		
<i>Sub-total</i>			<i>1,400,000</i>	—	—	—	—	<i>1,400,000</i>	
Mr. Huang Xinwen	14 October 2011	1.92	300,000	—	—	—	—	300,000	B
			300,000	—	—	—	—	300,000	C
			600,000	—	—	—	—	600,000	
	21 June 2012	2.94	320,000	—	—	—	—	320,000	D
240,000			—	—	—	—	240,000	E	
240,000			—	—	—	—	240,000	F	
		800,000	—	—	—	—	800,000		
<i>Sub-total</i>			<i>1,400,000</i>	—	—	—	—	<i>1,400,000</i>	
Ms. Hong Fang	14 October 2011	1.92	400,000	—	—	—	—	400,000	A
			300,000	—	—	—	—	300,000	B
			300,000	—	—	—	—	300,000	C
			1,000,000	—	—	—	—	1,000,000	
21 June 2012	2.94	320,000	—	—	—	—	320,000	D	
		240,000	—	—	—	—	240,000	E	
		240,000	—	—	—	—	240,000	F	
		800,000	—	—	—	—	800,000		
<i>Sub-total</i>			<i>1,800,000</i>	—	—	—	—	<i>1,800,000</i>	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2014	Exercise period (Note 2)	
			Outstanding as at 1 January 2014	Granted during the period	Exercised during the period (Note 1)	Cancelled during the period	Forfeited/lapsed during the period			
Independent Non-executive Directors Mr. Chen Shaojun	14 October 2011	1.92	40,000	—	—	—	—	40,000	A	
			30,000	—	—	—	—	30,000	B	
			30,000	—	—	—	—	30,000	C	
		100,000	—	—	—	—	100,000			
		21 June 2012	2.94	40,000	—	—	—	—	40,000	D
				30,000	—	—	—	—	30,000	E
	30,000			—	—	—	—	30,000	F	
	100,000	—	—	—	—	100,000				
	<i>Sub-total</i>			200,000	—	—	—	—	200,000	
	Mr. Ren Yunan	14 October 2011	1.92	40,000	—	—	—	—	40,000	A
				30,000	—	—	—	—	30,000	B
				30,000	—	—	—	—	30,000	C
100,000			—	—	—	—	100,000			
21 June 2012			2.94	40,000	—	—	—	—	40,000	D
				30,000	—	—	—	—	30,000	E
		30,000		—	—	—	—	30,000	F	
100,000		—	—	—	—	100,000				
<i>Sub-total</i>				200,000	—	—	—	—	200,000	
Mr. Wong Wai Ming		14 October 2011	1.92	40,000	—	—	—	—	40,000	A
				30,000	—	—	—	—	30,000	B
				30,000	—	—	—	—	30,000	C
	100,000		—	—	—	—	100,000			
	21 June 2012		2.94	40,000	—	—	—	—	40,000	D
				30,000	—	—	—	—	30,000	E
		30,000		—	—	—	—	30,000	F	
	100,000	—	—	—	—	100,000				
	<i>Sub-total</i>			200,000	—	—	—	—	200,000	
	Total for directors			9,360,000	—	—	—	—	9,360,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2014	Exercise period (Note 2)
			Outstanding as at 1 January 2014	Granted during the period	Exercised during the period (Note 1)	Cancelled during the period	Forfeited/lapsed during the period		
Employees of the Group in aggregate	14 October 2011	1.92	364,400	—	(12,000)	—	—	352,400	A
			1,761,800	—	(65,000)	—	—	1,696,800	B
			1,807,800	—	—	—	—	1,807,800	C
			3,934,000	—	(77,000)	—	—	3,857,000	
	21 June 2012	2.94	917,600	—	—	—	—	917,600	D
			1,561,200	—	—	—	—	1,561,200	E
1,561,200			—	—	—	—	1,561,200	F	
		4,040,000	—	—	—	—	4,040,000		
Total for employees			7,974,000	—	(77,000)	—	—	7,897,000	
TOTAL			17,334,000	—	(77,000)	—	—	17,257,000	

Notes:

- The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$2.89.
- The respective exercise periods of the share options granted are as follows:
 - A: From 14 October 2012 to 13 October 2021
 - B: From 14 October 2013 to 13 October 2021
 - C: From 14 October 2014 to 13 October 2021
 - D: From 21 June 2013 to 20 June 2022
 - E: From 21 June 2014 to 20 June 2022
 - F: From 21 June 2015 to 20 June 2022

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

- The number and/or exercise price of the options may be subject to adjustments in the case of rights or bonus issues, or other changes in the Company's share capital.

Supplementary Information to the Interim Report (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the interests of the directors of the Company in the shares and underlying shares of the Company, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

A. Long position in the ordinary shares of the Company

Name of director	Nature of interests	Number of the Company's ordinary shares interested	Percentage ⁺ of the Company's issued share capital
Mr. Li Zhenhui	Interest of controlled corporations (Note 1)	343,408,500	33.98%
Mr. Xie Jinling	Interest of controlled corporation (Note 2)	140,383,500	13.89%
Mr. Ge Xiaohua	Beneficial owner	400,000	0.04%
Mr. Huang Xinwen	Beneficial owner	400,000	0.04%

Notes:

- These shares were held by Prince Frog International Company Limited (for 343,308,500 shares) and Zhenfei Investment Company Limited (for 100,000 shares) respectively. Prince Frog International Company Limited is a wholly owned subsidiary of Zhenfei Investment Company Limited, which in turn was a controlled corporation of Mr. Li Zhenhui. Accordingly, Mr. Li Zhenhui was deemed to be interested in these shares pursuant to Part XV of the SFO.
 - These shares were held by Jinlin Investment Company Limited, a controlled corporation of Mr. Xie Jinling. Accordingly, Mr. Xie Jinling was deemed to be interested in these shares pursuant to Part XV of the SFO.
- + The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2014.

Supplementary Information to the Interim Report (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

B. Long position in the underlying shares of the Company (physically settled unlisted equity derivatives) — share options

Name of director	Nature of interests	Number of the Company's underlying shares interested	Percentage ⁺ of underlying shares over the Company's issued share capital
Mr. Li Zhenhui	Beneficial owner	2,360,000	0.23%
Mr. Xie Jinling	Beneficial owner	1,800,000	0.18%
Mr. Ge Xiaohua	Beneficial owner	1,400,000	0.14%
Mr. Huang Xinwen	Beneficial owner	1,400,000	0.14%
Ms. Hong Fang	Beneficial owner	1,800,000	0.18%
Mr. Chen Shaojun	Beneficial owner	200,000	0.02%
Mr. Ren Yunan	Beneficial owner	200,000	0.02%
Mr. Wong Wai Ming	Beneficial owner	200,000	0.02%

Notes: The underlying shares stated above refer to the share options granted by the Company under the share option scheme of the Company. Details of these share options as required to be disclosed pursuant to the Listing Rules are set out in the above section headed "Share Option Scheme" and note 14 to the condensed consolidated interim financial statements.

+ The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2014.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2014, none of the directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Supplementary Information to the Interim Report (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of the Company's ordinary shares interested	Percentage ⁺ of the Company's issued share capital
Prince Frog International Company Limited	Beneficial owner (Note 1)	343,308,500	33.97%
Zhenfei Investment Company Limited	Beneficial owner (Note 2) Interest of controlled corporation (Note 1)	100,000 343,308,500	0.01% 33.97%
		343,408,500	33.98%
Jinlin Investment Company Limited	Beneficial owner (Note 3)	140,383,500	13.89%
Neuberger Berman LLC	Investment manager (Note 4)	61,330,450	6.07%
Neuberger Berman Holdings LLC	Interest of controlled corporation (Note 4)	61,330,450	6.07%
Neuberger Berman Group LLC	Interest of controlled corporations (Note 4)	61,330,450	6.07%

Notes:

- These shares were held by Prince Frog International Company Limited, a wholly owned subsidiary of Zhenfei Investment Company Limited, which in turn was a controlled corporation of Mr. Li Zhenhui, an executive director of the Company. The above interest of Zhenfei Investment Company Limited and Prince Frog International Company Limited was also disclosed as the interest of Mr. Li Zhenhui in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".
 - The above interest of Zhenfei Investment Company Limited was also disclosed as the interest of Mr. Li Zhenhui in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".
 - The above interest of Jinlin Investment Company Limited was also disclosed as the interest of Mr. Xie Jinling, an executive director of the Company, in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".
 - These shares were held by Neuberger Berman LLC, a wholly owned subsidiary of Neuberger Berman Holdings LLC, in the capacity as an investment manager. Neuberger Berman Holdings LLC was a wholly owned subsidiary of Neuberger Berman Group LLC. Accordingly, Neuberger Berman Holdings LLC and Neuberger Berman Group LLC were deemed to be interested in these shares held by Neuberger Berman LLC pursuant to Part XV of the SFO.
- + The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2014.

Supplementary Information to the Interim Report (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Save as disclosed above, as at 30 June 2014, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (Appendix 10 to the Listing Rules) as its own code of conduct regarding directors' dealings in the Company's securities. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2014.

COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 June 2014.

Supplementary Information to the Interim Report (continued)

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2014, except for code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Mr. Li Zhenhui currently holds the positions of Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 20 years of experience in personal care products industry. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Li Zhenhui provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive in the same person will not impair the balance of power and authority between the Board and the management of the Company.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of director of the Company is set out below:

- Mr. Wong Wai Ming was appointed as the Chief Financial Officer and Company Secretary of Broad Greenstate International Company Limited (a company listed on the Stock Exchange since 21 July 2014; stock code: 1253) with effect from 16 December 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2014.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's three independent non-executive directors, has reviewed the unaudited condensed consolidated results of the Company for the six months ended 30 June 2014, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.

Supplementary Information to the Interim Report (continued)

CORPORATE COMMUNICATIONS

In accordance with the Listing Rules, the Company has ascertained shareholders' wishes regarding their preferences on the language (i.e. English and/or Chinese) and means of receipt (i.e. in printed form or via the Company's website) of the Company's corporate communications[#]. Shareholders who have chosen/are deemed to have chosen to receive the corporate communications via the Company's website, and who for any reason have difficulty in receiving or gaining access to the Company's corporate communications will promptly upon request be sent the corporate communications in printed form free of charge. Shareholders have the right at any time to change their choice of language and means of receipt of the Company's corporate communications.

Shareholders may request for printed copy of the Company's corporate communications or change their choice of language and means of receipt of the Company's corporate communications by sending reasonable prior notice in writing to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Shareholders may also send such a notice by email to prince.ecom@computershare.com.hk.

Shareholders who have chosen to receive the corporate communications in either English or Chinese version will receive both English and Chinese versions of this interim report since both languages are bound together into one booklet.

[#] The Company's corporate communications refer to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to: (a) annual report; (b) interim report; (c) notice of meeting; (d) listing document; (e) circular; and (f) form of proxy.