

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

A photograph of a man and a young girl in a grassy field under a blue sky. The man is carrying the girl on his shoulders. They are both smiling and holding a large, colorful kite with vertical stripes. Another kite is flying in the sky to the right. The scene is bright and cheerful, suggesting a family activity.

INTERIM REPORT 2016

Contents

Corporate Information	2
Management Discussion and Analysis	3
Unaudited Condensed Consolidated Interim Financial Statements	12
— Condensed Consolidated Income Statement	12
— Condensed Consolidated Statement of Comprehensive Income	13
— Condensed Consolidated Statement of Financial Position	14
— Condensed Consolidated Statement of Changes in Equity	16
— Condensed Consolidated Statement of Cash Flows	18
— Notes to the Condensed Consolidated Interim Financial Statements	20
Supplementary Information to the Interim Report	40



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Zhenhui (*Chairman & Chief Executive Officer*)

Mr. Ge Xiaohua

Mr. Huang Xinwen

Mr. Li Zhouxin (*Chief Financial Officer*)

Mr. Tsai Wallen

Non-executive Director

Mr. Ren Yunan (*Vice Chairman*)

Independent Non-executive Directors

Mr. Wong Wai Ming

Mr. Tang Shuo

Mr. Tsao Benedict

BOARD COMMITTEES

Audit Committee Members

Mr. Wong Wai Ming (*Chairman*)

Mr. Tang Shuo

Mr. Tsao Benedict

Nomination Committee Members

Mr. Wong Wai Ming (*Chairman*)

Mr. Tang Shuo

Mr. Tsao Benedict

Remuneration Committee Members

Mr. Wong Wai Ming (*Chairman*)

Mr. Li Zhenhui

Mr. Tang Shuo

COMPANY SECRETARY

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

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No. 8, North Wuqiao Road

Lantian Economic Development Zone

Zhangzhou City, Fujian Province

The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre

183 Queen's Road East

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 2016, the growth in consumption has been slowing down due to the sluggish growth of the domestic economy; meanwhile, the concept, structure and mode of consumption had undergone great changes, which brought about fierce competition in the market. Therefore, the revenue of China Child Care Corporation Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) in the first half of 2016 decreased by about 41.4% over the corresponding period of 2015, among which, the revenue from the core children’s personal care products decreased by about 44.1% over the first half of 2015. However, the Group was honoured with the following awards and recognitions in the first half of 2016:

1. In January 2016, the Group was awarded the title of “Enterprise Caring for Art Education of the Next Generation” (關心下一代藝術教育愛心企業) by China National Committee for The Wellbeing of The Youth Charity Culture Centre (中國關心下一代工作委員會公益文化中心).
2. In January 2016, the Group was awarded “2015 Medal Award for Public Welfare of China’s Children and Teenagers” (2015年中國兒童少年公益事業勳章獎) by Organizing Committee for the Development of Chinese Enterprises’ Public Welfare Undertakings (中國企業公益事業發展組織委員會).
3. In March 2016, the Group was awarded the titles of “Leading Brand in National Children Care Industry” (全國兒童護理行業質量領先品牌), “National Reliable Quality Product” (全國質量信得過產品) and “Excellent Enterprise for Trustworthy Quality Product and Service in China” (全國產品和服務質量誠信示範企業) by China Quality Inspection Association (中國質量檢驗協會).
4. In March 2016, “Frog Prince Anti-wrinkle and Nourishing Cream for Children” of the Group was awarded the title of “2015 Popular Skin Care Products with Good Reputation among Mothers on www.ci123.com” (2015年度育兒網媽媽口碑之選年度護膚產品人氣產品) by www.ci123.com (育兒網), Mother Zone (媽媽社區) and Pregnancy Reminder (孕期提醒).
5. In March 2016, the Group’s “Prince Frog children’s bath products”, “Prince Frog children’s toothpaste and toothbrushes” and “Prince Frog children’s skin care products” respectively ranked the “first place in 2015 overall market share among similar products” appraised by China General Chamber of Commerce (中國商業聯合會) and China National Commercial Information Center (中華全國商業信息中心).
6. In May 2016, the Group was listed among the “Good Brands of China” (中國好品牌) of 21st China Beauty Expo granted by the Organization Committee of the 21st China Beauty Expo (Shanghai CBE).
7. In June 2016, the Group was awarded the “Assessment Certificate of Management System for the Integration of Informatization and Industrialization” (兩化融合管理體系評定證書) by Beijing Grand Honour Certification Co., Ltd. (北京國金衡信認證有限公司).



Management Discussion and Analysis (continued)

BUSINESS REVIEW

The Release of “China Children’s Care Bluebook”

In the first half of 2016, the Group gathered experts in children’s education, psychology, security, skin and oral cavity to establish the first professional committee for children’s care in China, and strategically cooperated with the world’s leading maternal and infant care online platform Babytree to jointly prepare “China Children’s Care Bluebook” based on the big data platform of Babytree. The bluebook takes the form of children asking questions and experts giving advice and promotes basic knowledge for caring children above three years old to the society from three aspects: children’s psychological health, security education and physical development. After “China Children’s Care Bluebook” was released with great fanfare in Shanghai Beauty Expo in May 2016, this bluebook will also be distributed for public welfare through China Women’s Development Foundation (中國婦女發展基金會). The Group is of the view that the release of “China Children’s Care Bluebook” will bring practical and scientific childcare knowledge to large groups of new mothers in China and further improve popularity and reputation of the Group’s brand.

Opening of the First “Prince Frog Childcare Centre”

In the first half of 2016, the Group set up the first “Prince Frog Childcare Centre” at the Qingkelong Supermarket in Daqing, Heilongjiang Province. The centre occupies an area of 30 sqm, where the whole series of Prince Frog products are displayed, and entertainment facilities, such as slides and beach ball pools are provided. The centre establishes a professional brand image for Prince Frog Childcare and will be extended to other key supermarkets in the second half of 2016. The Group also jointly plans, with a domestic renowned children’s park scheming agency, to build the first parent-child amusement experiential commercial marketing platform in China for the purpose of providing families with a secure, healthy and happy shopping and amusement place and developing an innovative brand marketing mode.

Launch of Diverse Promotion Campaigns

In the first half of 2016, the Group launched the two-way interactive marketing campaigns which covered both the off-line and on-line promotions, and continued to deliver the core brand positioning of “Prince Frog Brand Specially for Children Aged 3-12” (青蛙王子更適合3-12歲兒童使用) to the customers through theme events. To name a few, the Group held nearly 100 large-scale promotional activities in approximately 70 cities of key provinces across the country under the theme of “Cheer for China, Enjoy Olympics and Win a Trip” (喝彩中國，趣享奧運遊禮) in May and June 2016; on “June 1” International Children’s Day of 2016, the Group, through cooperation with Tuniu.com (途牛網), held nearly 1,200 large-scale outdoor roadshows in approximately 100 cities nationwide at the same time under the theme of “Enjoy June 1, Touring Disneyland” (玩轉六一，暢遊迪士尼) to increase brand visibility; in the meantime, based on the media preference of target consumers, the Group launched all-around brand marketing and promotion through various platforms including new media, Internet and China Railway High-speed media.



Management Discussion and Analysis (continued)

Continuous Introduction of New Products and Products Upgrading

To satisfy different needs of consumers and to respond to a continuous decrease in the sales volume of products with old package, the Group made the largest adjustments to products in the first half of 2016, including (1) releasing “Natural Herb Caring” (植愛草本) series of skin care and bath products for children, where this series of products is mainly made from natural herbs and food-grade raw materials and without any harmful chemical additives, which make the products more suitable for children’s tender skin; (2) an overall upgrading of 2 key series of products of “Moisture” (倍潤) and “Mild” (自然至親); and (3) releasing of “Aiyaxing” (愛芽星) series of children’s oral care products, promoting a scientific tooth care concept of “fresh and mothproof in the morning, and antibacterial and tooth strengthening at night”.

Excellence in Quality Control

Products manufactured by the Group have always complied with the relevant laws and regulations, and have passed the re-certification of five key management systems, which are ISO9001 quality management system, ISO14001 environmental management system, OHSAS18001 occupational health and safety management system, ISO22716 and “Cosmetics – Guidelines on Good Manufacturing Practices” (GMPC) of the United States Food and Drug Administration in the first half of 2016.

In the first half of 2016, the Group was awarded the title of “Provincial-level Enterprise Technology Centre” by Fujian Provincial Economic and Information Technology Commission (福建省經濟和信息化委員會), Fujian Provincial Department of Science & Technology (福建省科學技術廳), Fujian Provincial Department of Finance (福建省財政廳), Fujian Provincial Office of the State Administration of Taxation (福建省國家稅務局), Fujian Local Taxation Bureau (福建省地方稅務局), Fuzhou Customs District (福州海關) and Xiamen Customs District (廈門海關), which provides a strong support to the Group to carry out technical innovation in the future.

Continuous Investment in Research & Development (“R&D”)

In the first half of 2016, the Group continued to cooperate with South China University of Technology (華南理工大學) 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 the meantime, the Group actively cooperated with leading raw material suppliers in the industry, including but not limited to BASF (巴斯夫), SOLVAY (索爾維), SYMRISE (德之馨), DOW (陶氏) and DOW CORNING (道康寧), and entered into a strategic cooperation agreement with BASF to cooperate on the basic application of new materials and new technologies in the future, thus improving the core competitiveness of the Group.

The Group’s R&D center of 1,200 sqm located in Zhangzhou has been put into use, which includes advanced chemical analysis and microbiological challenge laboratory. Alternative method of animal experiments has also been widely used in R&D of children’s personal care products. Capabilities in R&D and detection of the Group have also been growing, and pH value testing capability has passed verification by a third party. All of these provide a strong support for R&D of Prince Frog childcare products.

Frog Prince (China) Daily Chemicals Co., Ltd., a wholly-owned subsidiary of the Company, was granted the High-New Technology Enterprise Certificate for the three years ended 31 December 2015, which was expired on 31 December 2015. The Group also submitted applications for patents (as of 30 June 2016, the Group possessed or was authorized

Management Discussion and Analysis (continued)

for 59 patents while applications for 15 patents were in process in a proactive manner) from time to time, successful filing of which will further prove the Group's R&D capability in children's cosmetics and can protect the Group's independent intellectual property.

Social Responsibility

In January 2016, the Group together with China Women's Development Foundation (中國婦女發展基金會) organized the nationwide charity project titled "Safeguard the Childhood" (守護童年), and donated children's personal care products with a total value of RMB1.0 million to left-behind children and families in poor areas.

On 23 January 2016, the Group worked with China National Committee for The Wellbeing of The Youth Charity Culture Centre (中國關心下一代工作委員會公益文化中心), China Foundation for the Development of Social Culture (中華社會文化發展基金會), China Education Television Association (中國教育電視協會) and Union of Chinese Talent Education Development (中國特長生教育發展聯盟) to launch the event of the Social, Art and Educational Innovation and Development of Youth Forum and the 2016 China – We Are Family Charity Project (青少年社會藝術教育創新發展論壇暨2016中華大家園公益項目). The event set a "Prince Frog Award" to reward youth's and children's outstanding performances and to support children from poor families to participate in educational activities for students with special talents.

In June 2016, the Group donated RMB1.0 million to China Women's Development Foundation (中國婦女發展基金會) to re-launch the charity project titled "Safeguard the Childhood" (守護童年), which was hosted by the All China Women's Federation (全國婦聯) and co-sponsored by China Women's Development Foundation (中國婦女發展基金會) together with over 100 nonprofit organizations, and a charity summer camp named Prince Frog "First Class of Safety" (安全第一課) will be carried out during the summer holiday. In addition, the Group together with China Women's Development Foundation (中國婦女發展基金會) donated relief supplies with a total value of RMB300,000 to areas affected by heavy rainfall in Yancheng City, Jiangsu Province, care and love from Prince Frog for the children in affected areas were sent out in the first instance.

In the first half of 2016, the Group conducted 8 interactive experiential activities at the tourism factory that is located in Zhangzhou City, Fujian Province, enabling more children to take a closer look at Prince Frog.

FINANCIAL REVIEW

For the six months ended 30 June 2016 (the "Reporting Period"), revenue of the Group was approximately RMB269.6 million, representing a decrease of about 41.4% as compared to RMB459.9 million for the six months ended 30 June 2015. During the Reporting Period, the revenue from core children's personal care products of the Group was approximately RMB227.7 million, representing a decrease of about 44.1% over the same period of last year (for the six months ended 30 June 2015: RMB407.6 million); revenue from adults' personal care products and other products including OEM products was approximately RMB41.9 million, representing a decrease of about 20.0% over the same period of last year (for the six months ended 30 June 2015: RMB52.4 million). The decrease in revenue of the Group was due to: (1) the continuing impact of a slower growth of domestic economy and consumers' switch of consumption habit to e-commerce; (2) the launch of new series of products was postponed from the first quarter of 2016 to the end of the second quarter; and (3) more discount was offered to distributors by the Group in March 2015, which was extended to 2016.



Management Discussion and Analysis (continued)

Gross Profit and Gross Profit Margin

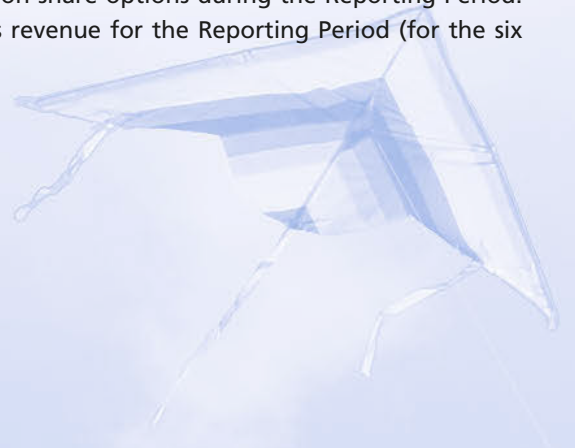
Gross profit of the Group for the Reporting Period was approximately RMB133.5 million, representing a drop of about 33.5% as compared with RMB200.7 million for the six months ended 30 June 2015. During the Reporting Period, the gross profit margin increased by around 5.9 percentage points over the same period of last year to about 49.5% (for the six months ended 30 June 2015: 43.6%). The increase in gross profit margin was mainly due to: (1) the Group launched a new product series “Natural Herb Caring” in the second quarter of 2016, of which the gross profit margin was about 54.0% for the Reporting Period; (2) subsequent to the acquisition of Fujian Azalli Daily Chemicals Ltd. (福建愛潔麗日化有限公司) on 30 April 2015, the gross profit margin of children’s toothpaste products increased due to that the production was switched to self-production from outsourced production. The gross profit margin of children’s oral care products of the Group was about 46.7% for the Reporting Period, representing an increase of around 1.1 percentage points compared with 45.6% for the six months ended 30 June 2015; and (3) reduction in the promotion of combination packages by the Group compared with the same period of last year.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. For the Reporting Period, the selling and distribution expenses was approximately RMB67.1 million, representing a decrease of about 42.4% compared with RMB116.4 million for the six months ended 30 June 2015. During the Reporting Period, the selling and distribution expenses accounted for about 24.9% of revenue (for the six months ended 30 June 2015: 25.3%), among which the expenses of advertising and promotion accounted for about 11.8% of revenue for the Reporting Period, representing a decrease of around 4.0 percentage points compared with 15.8% for the six months ended 30 June 2015. The decrease was mainly due to the discount given to distributors by the Group according to the market needs starting from March 2015 in order to replace part of selling and distribution expenses and the extension of the abovementioned discount to 2016; because of the decrease in factory price of products, the transportation costs and other expenses accounted for about 13.1% of revenue for the Reporting Period, representing an increase of around 3.6 percentage points over the same period of 2015 (for the six months ended 30 June 2015: 9.5%).

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, other taxes and other expenses. Administrative expenses of the Group amounted to approximately RMB52.5 million for the Reporting Period (for the six months ended 30 June 2015: RMB49.7 million), representing an increase of about 5.6% over the same period of 2015. The administrative expenses increased mainly due to the raise of salary level of management of the Group, depreciation expenses and expenses on share options during the Reporting Period. Administrative expenses accounted for about 19.5% of the Group’s revenue for the Reporting Period (for the six months ended 30 June 2015: 10.8%).



Management Discussion and Analysis (continued)

Business Combination

On 30 April 2015, the Group acquired an 80% equity interest in Fujian Azalli Daily Chemicals Ltd., a company established in the PRC and a former supplier of the Group, from an independent third party. The principal activity of Fujian Azalli Daily Chemicals Ltd. is manufacture of toothpaste products. The acquisition was for expanding the Group's oral care production line under children's personal care products. The purchase consideration for such acquisition amounted to RMB50,773,000, which was satisfied by cash, and the total identifiable net assets acquired less non-controlling interests amounted to RMB14,916,000. Accordingly, goodwill of RMB35,857,000 was resulted at the date of acquisition, a provision of RMB17,500,000 was made for the impairment loss on 31 December 2015.

Net Profit and Net Profit Margin

For the Reporting Period, profit attributable to equity holders of the Company amounted to approximately RMB13.1 million, representing a decrease of about 57.5% as compared with RMB30.8 million for the six months ended 30 June 2015. The net profit margin decreased by around 2.0 percentage points to about 4.8% for the Reporting Period from 6.8% for the six months ended 30 June 2015, with basic earnings per share for the Reporting Period of approximately RMB1.3 cents (for the six months ended 30 June 2015: RMB3.0 cents).

Capital Expenditure

For the Reporting Period, the Group's material capital expenditure amounted to approximately RMB4.8 million (for the six months ended 30 June 2015: RMB7.8 million), mainly represented additions on plant and machinery during the Reporting Period.

Financial Resources and Liquidity

As at 30 June 2016, cash and cash equivalents of the Group amounted to approximately RMB840.9 million (31 December 2015: RMB968.8 million). The current ratio was 6.5 (31 December 2015: 6.1). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: (1) marketing enhancement as well as brand and product promotions; (2) the investment in R&D; and (3) pursuit of the potential opportunity for acquisition and other investment as and when appropriate.

Trade and Bills Receivables Turnover Days

During the Reporting Period, the Group's trade and bills receivables turnover days were 61.9 days (for the six months ended 30 June 2015: 42.9 days; for the year ended 31 December 2015: 37.3 days), calculated as the average of the beginning and ending balances of trade and bills 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 increase in trade and bills receivables turnover days for the period was mainly because the Group usually grants a credit period of 30 to 60 days to our customers, and the Group appropriately extended the credit period for some creditworthy customers in the second quarter of 2016.



Management Discussion and Analysis (continued)

Trade and Bills Payables Turnover Days

During the Reporting Period, trade and bills payables turnover days came to 125.4 days (for the six months ended 30 June 2015: 76.6 days; for the year ended 31 December 2015: 69.1 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 pre-stocked in June for the peak season of OEM products this year, resulting in an increase of about 9.6% of balance of trade and bills payables as at 30 June 2016 as compared with the same period of 2015. The Group settled its payables within one to six months in general and kept good payment records.

Inventory Turnover Days

During the Reporting Period, inventory turnover days of the Group came to 56.3 days (for the six months ended 30 June 2015: 33.0 days; for the year ended 31 December 2015: 22.9 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, as compared with the same period of 2015, was mainly because the Group pre-stocked in June for the peak season of OEM products this year, resulting in an increase of about 11.0% of balance of inventories as at 30 June 2016 as compared with the same period of 2015.

Gearing Ratio

As at 30 June 2016, current assets and total assets of the Group were approximately RMB1,084.7 million and approximately RMB1,617.4 million respectively, and current liabilities and total liabilities were approximately RMB166.3 million and approximately RMB184.6 million respectively. The gearing ratio (total liabilities/total assets) of the Group was about 11.4% (as at 30 June 2015: 12.5%).

Bank Borrowings

As at 30 June 2016, the Group had no bank borrowings (as at 31 December 2015: RMB50 million).

Pledge of Assets

As at 30 June 2016, the Group had pledged deposits of RMB5.0 million for bills payables 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 (as at 31 December 2015: RMB4.5 million).

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 maximize the shareholders' interests. The Group continued to emphasize the appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital cost.



Management Discussion and Analysis (continued)

Risk of Foreign Exchange

As at 30 June 2016, the Group was not exposed to any major risks from foreign exchange fluctuations and new foreign exchange forward contracts have been signed to manage risks of foreign exchange fluctuations.

Contingent Liabilities

During the Reporting 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. As at 30 June 2016, the Group had pledged deposits of RMB2,000,000 (as at 31 December 2015: RMB2,000,000) placed with the bank for this banking facility arrangement, and executed guarantees of a total of approximately RMB36,110,000 (as at 31 December 2015: RMB36,110,000) to the bank in connection with the amounts advanced to these customers by the bank, of which approximately RMB611,000 (as at 31 December 2015: RMB6,701,000) had been utilized as at 30 June 2016.

OUTLOOK

Given the slowdown of China's economic growth, and the consumption habits of Chinese consumers have been switched, including: (i) the switch of consumption patterns to electronic commerce and mobile Internet; and (ii) the decline of brand loyalty of consumers, the Group is prudent to the future performance of "Prince Frog" brand in children's personal care product industry.

In response to the above adverse business environment, the Group will strengthen the promotion of the offline terminal sales to avoid further decline in sales revenue; meanwhile, the Group will synchronise online and offline marketing to generate synergy in an effort to develop two sub-markets, i.e. e-commerce business and Webchat, so as to explore new growth points of the Group's revenue. In terms of products, the Group will comprehensively upgrade the existing products, and the Group is also ready to face the gradual impacts on revenue in the process of upgrading products; the Group will also maintain its investment in brand building and continue to make use of an animated cartoon culture as its differentiated marketing strategy. The Group plans to invest in new animation production and carry out other peripheral businesses of animation in the second half of 2016, so as to infuse the brand with more cultural connotations.

Looking ahead, within the scope of personal care products, we will continue to develop our "Prince Frog" brand of personal care products targeting children aged 3 to 12 so as to further promote its core "Prince Frog" brand value of "Better nourished babies, happier mothers" (孩子更滋潤、媽媽更開心). In addition, the Group will make better use of internal resources to expand businesses of different scopes to make the Group's business more diversified and to improve the profitability of the Group and the interests of shareholders more effectively. The Group will notice and consider from time to time other investment opportunities, as appropriate, the Group will make an announcement according to the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as and when appropriate.



Management Discussion and Analysis (continued)

EMPLOYEES AND REMUNERATION

As at 30 June 2016, the Group employed 2,020 employees (as at 31 December 2015: 1,154 employees; and as at 30 June 2015: 2,130 employees). The increase in the number of employees as compared with that of 31 December 2015 was mainly because the Group employed 788 temporary workers and summer interns in June 2016, mainly in order to coordinate the needs for packing OEM gift boxes for peak season orders from June to August.

In addition to basic salaries, year-end bonuses may be awarded by the Group 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 labor 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 Group in June 2011 to reward staff members who make contributions to the success of the Group. The directors of the Company believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

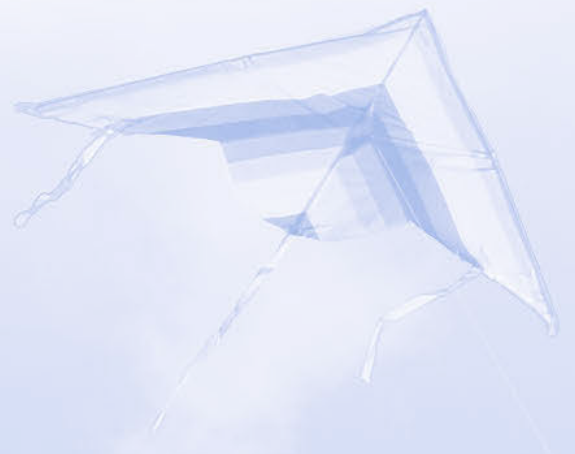
To meet the urgent needs for building a team of talents to cope with the rapid development of the Company, the Group set up a Prince Frog Business College in 2013 to provide training to employees and help them to master relevant skills. The college offered 42 courses, which covered fields like corporate strategy and culture, industry overview, professional knowledge, etc. in the first half of 2016.

DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend to shareholders of the Company for the Reporting Period.

SUBSEQUENT EVENTS

There were no material events occurred subsequent to the Reporting Period.



Unaudited Condensed Consolidated Interim Financial Statements

The board of directors (the "Board") of China Child Care Corporation Limited (the "Company") hereby presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016 together with the unaudited comparative figures for the corresponding period in 2015 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 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
REVENUE	4	269,598	459,925
Cost of sales		(136,071)	(259,222)
Gross profit		133,527	200,703
Other income and gains	4	3,711	10,076
Selling and distribution expenses		(67,066)	(116,448)
Administrative expenses		(52,512)	(49,708)
Other operating expenses		(1,480)	(1,793)
PROFIT BEFORE TAX	5	16,180	42,830
Income tax expense	6	(3,371)	(11,497)
PROFIT FOR THE PERIOD		12,809	31,333
Attributable to:			
Equity holders of the Company		13,085	30,773
Non-controlling interests		(276)	560
		12,809	31,333
EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	8		
Basic		RMB1.3 cents	RMB3.0 cents
Diluted		RMB1.3 cents	RMB3.0 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
PROFIT FOR THE PERIOD	12,809	31,333
Other comprehensive income/(expense):		
Other comprehensive income/(expense) may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating operations outside Mainland China	(8)	119
Other comprehensive income/(expense) for the period, net of tax	(8)	119
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,801	31,452
Attributable to:		
Equity holders of the Company	13,077	30,892
Non-controlling interests	(276)	560
	12,801	31,452

Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	466,117	477,281
Investment properties		30,300	30,300
Prepaid land lease payments		14,138	14,292
Goodwill	10	18,357	18,357
Intangible assets		56	183
Prepayments and deposits		3,772	3,179
Total non-current assets		532,740	543,592
CURRENT ASSETS			
Inventories		58,171	27,011
Trade and bills receivables	12	144,163	41,205
Prepayments, deposits and other receivables		28,547	13,603
Available-for-sale investments		6,000	2,008
Amount due from a related company		1,386	5,903
Tax recoverable		411	155
Pledged deposits		5,043	4,498
Cash and cash equivalents		840,942	968,757
Total current assets		1,084,663	1,063,140
CURRENT LIABILITIES			
Trade and bills payables	13	104,662	84,882
Other payables and accruals		48,709	32,488
Derivative financial instruments		2,985	–
Interest-bearing bank borrowings		–	50,000
Amount due to a related company		138	–
Tax payable		9,850	6,603
Total current liabilities		166,344	173,973
NET CURRENT ASSETS		918,319	889,167
TOTAL ASSETS LESS CURRENT LIABILITIES		1,451,059	1,432,759

Condensed Consolidated Statement of Financial Position (continued)

30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,451,059	1,432,759
NON-CURRENT LIABILITY			
Deferred tax liabilities	14	18,223	17,923
Net assets		1,432,836	1,414,836
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	15	8,386	8,386
Reserves		1,420,504	1,402,228
		1,428,890	1,410,614
Non-controlling interests		3,946	4,222
Total equity		1,432,836	1,414,836

Li Zhenhui
Director

Li Zhouxin
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Issued capital	Share premium	Share option reserve	Capital reserve	Asset revaluation reserve	Statutory reserve fund	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (audited)	8,386	448,802*	22,317*	11*	7,157*	110,615*	16*	5,879*	807,431*	1,410,614	4,222	1,414,836
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	-	(8)	-	(8)	-	(8)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	13,085	13,085	(276)	12,809
Total comprehensive income/ (expense) for the period	-	-	-	-	-	-	-	(8)	13,085	13,077	(276)	12,801
Equity-settled share option arrangements	-	-	5,199	-	-	-	-	-	-	5,199	-	5,199
At 30 June 2016 (unaudited)	8,386	448,802*	27,516*	11*	7,157*	110,615*	16*	5,871*	820,516*	1,428,890	3,946	1,432,836

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2016

	Attributable to equity holders of the Company											
	Issued capital	Share premium	Share option reserve	Capital reserve	Asset revaluation reserve	Statutory reserve fund	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (audited)	8,386	488,689	14,130	11	-	110,615	16	5,857	857,740	1,485,444	-	1,485,444
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	-	119	-	119	-	119
Profit for the period	-	-	-	-	-	-	-	-	30,773	30,773	560	31,333
Total comprehensive income for the period	-	-	-	-	-	-	-	119	30,773	30,892	560	31,452
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	3,663	3,663
Equity-settled share option arrangements	-	-	4,683	-	-	-	-	-	-	4,683	-	4,683
2014 final dividend declared	-	(39,887)	-	-	-	-	-	-	-	(39,887)	-	(39,887)
At 30 June 2015 (unaudited)	8,386	448,802	18,813	11	-	110,615	16	5,976	888,513	1,481,132	4,223	1,485,355

* These reserve accounts comprise the consolidated reserves of RMB1,420,504,000 (31 December 2015: RMB1,402,228,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		16,180	42,830
Adjustments for:			
Interest income received from banks	4	(1,286)	(6,430)
Income derived from available-for-sale investments	4	(501)	(1,413)
Depreciation	5	15,949	15,447
Amortisation of prepaid land lease payments	5	170	217
Amortisation of intangible assets	5	127	720
Equity-settled share option expense		5,199	4,683
Loss on disposal of items of property, plant and equipment	5	–	249
Unrealised loss on derivative financial instruments	5	2,985	–
		38,823	56,303
Increase in inventories		(31,160)	(9,179)
Decrease/(increase) in trade and bills receivables		(102,958)	82,152
Increase in prepayments, deposits and other receivables		(14,960)	(37,510)
Increase/(decrease) in trade and bills payables		19,780	(37,191)
Increase/(decrease) in other payables and accruals		16,221	(11,763)
Movements in balances with related parties		4,655	6,638
Exchange realignment		(555)	124
Cash generated from/(used in) operations		(70,154)	49,574
Interest received		1,286	6,430
PRC tax paid		(80)	(6,189)
Net cash flows from/(used in) operating activities		(68,948)	49,815

Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(4,419)	(6,854)
Proceeds from disposal of items of property, plant and equipment		–	673
Deposits for purchase of items of property, plant and equipment		(959)	(2,889)
Increase in available-for-sale investments		(3,992)	(500)
Income derived from available-for-sale investments		501	1,413
Increase in pledged deposits		(545)	(442)
Acquisition of a subsidiary	11	–	(44,286)
Net cash flows used in investing activities		(9,414)	(52,885)
CASH FLOWS FROM A FINANCING ACTIVITY			
Repayment of bank loans		(50,000)	–
Net cash flows used in a financing activity		(50,000)	–
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		968,757	966,567
Effect of foreign exchange rate changes, net		547	(5)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		840,942	963,492
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows		840,942	963,492

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2016

1. CORPORATE INFORMATION

China Child Care Corporation Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 11 January 2011. 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 in the People's Republic of China (the "PRC") is located at No. 8, North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province, 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 2015 except as described below.

In the current period, the Group has applied, for the first time, the following revised International Financial Reporting Standards ("IFRSs") which are effective for the Group's financial year beginning on 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of IFRSs

The adoption of the 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 2016

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 tissue products;
- (b) the adults' personal care products segment manufactures and trades Frog Prince branded oral 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, investment properties, prepaid land lease payments, unallocated prepayments, deposits and other receivables, an amount due from a related company, available-for-sale investments, tax recoverable, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude unallocated other payables and accruals, interest-bearing bank borrowings, an amount due to a related company, tax payable, derivative financial instruments and deferred tax liabilities as these liabilities are managed on a group basis.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

3. OPERATING SEGMENT INFORMATION (continued)

	Children's personal care products <i>RMB'000</i>	Adults' personal care products <i>RMB'000</i>	Other products <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2016 (unaudited)				
Segment revenue:				
Sales to external customers	227,652	7,632	34,314	269,598
Segment results	116,623	3,218	5,762	125,603
Interest income derived from banks				1,286
Other unallocated income and gains				2,425
Corporate and other unallocated expenses				(113,134)
Profit before tax				<u>16,180</u>
Six months ended 30 June 2015 (unaudited)				
Segment revenue:				
Sales to external customers	407,571	17,510	34,844	459,925
Segment results	179,927	5,874	8,557	194,358
Interest income derived from banks				6,430
Other unallocated income and gains				3,646
Corporate and other unallocated expenses				(161,604)
Profit before tax				<u>42,830</u>

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

3. OPERATING SEGMENT INFORMATION (continued)

	Children's personal care products <i>RMB'000</i>	Adults' personal care products <i>RMB'000</i>	Other products <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2016 (unaudited)				
Segment assets	214,775	4,939	35,660	255,374
<i>Reconciliation:</i>				
Corporate and other unallocated assets				1,362,029
Total assets				1,617,403
Segment liabilities	78,376	3,151	26,452	107,979
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				76,588
Total liabilities				184,567
Year ended 31 December 2015 (audited)				
Segment assets	96,347	1,963	24,061	122,371
<i>Reconciliation:</i>				
Corporate and other unallocated assets				1,484,361
Total assets				1,606,732
Segment liabilities	64,307	2,849	21,040	88,196
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				103,700
Total liabilities				191,896

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

4. REVENUE, OTHER INCOME AND GAINS

Revenue 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	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<hr/>		
<u>Revenue</u>		
Sales of goods	269,598	459,925
<u>Other income and gains</u>		
Interest income derived from banks	1,286	6,430
Income derived from available-for-sale investments	501	1,413
Government subsidies*	278	1,260
Net fair value gains on foreign exchange derivative financial instruments		
– transactions not qualified as hedges	–	60
Rental income	1,061	–
Others	585	913
	3,711	10,076
	273,309	470,001

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Cost of inventories sold	136,071	259,222
Depreciation*	15,949	15,447
Amortisation of prepaid land lease payments	170	217
Amortisation of intangible assets	127	720
Minimum lease payments under operating leases on land and buildings	969	910
Unrealised loss on derivative financial instruments [#]	2,985	–
Loss on disposal of items of property, plant and equipment [#]	–	249
Employee benefit expenses* (including directors' remuneration):		
Wages and salaries	37,119	34,041
Equity-settled share option expense	4,402	4,683
Retirement benefit scheme contributions	2,503	2,254
	44,024	40,978
Research and development costs ^{#,^}	2,273	4,816

[#] 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 2016 include an amount of RMB1,630,000 (six months ended 30 June 2015: RMB2,187,000) relating to rental expenses of a research and development centre and staff costs for research and development activities, which is 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	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Depreciation	9,459	9,141
Employee benefit expenses	13,433	14,035
	22,892	23,176

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

6. INCOME TAX

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 (2015: 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	
	2016 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i> (unaudited)
Current – Mainland China		
Charge for the period	3,071	10,997
Deferred	300	500
Total tax charge for the period	3,371	11,497

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 introduced 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, which was obtained by the Group 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 for three years. The period of preferential tax rate for Frog Prince (China) expired on 31 December 2015 and accordingly the tax rate of 25% was applied to Frog Prince (China) in the current period.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

7. DIVIDEND

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Dividend declared during the period:		
Final – Nil (2015: HK5.0 cents) per ordinary share	–	39,887 ⁽ⁱ⁾

(i) In respect of the financial year ended 31 December 2014

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2016 (2015: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to the equity holders of the Company of RMB13,085,000 (2015: RMB30,773,000) and the number of ordinary shares in issue during the six months ended 30 June 2016 of 1,010,491,000 (2015: 1,010,491,000).

The outstanding share options of the Company have no dilutive effect on the Company's earnings per share for the six months ended 30 June 2016 and 2015 as the exercise prices of these options were higher than the average market prices of the Company's shares during the six months ended 30 June 2016 and 2015.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
At beginning of period/year, net of accumulated depreciation	477,281	495,666
Acquisition of a subsidiary (note 11)	–	2,516
Additions	4,785	23,659
Transfer to investment properties	–	(12,845)
Disposals	–	(1,245)
Depreciation provided during the period/year	(15,949)	(30,470)
At end of period/year, net of accumulated depreciation	466,117	477,281

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

10. GOODWILL

	<i>RMB'000</i>
<hr/>	
At 1 January 2015:	
Cost	–
Accumulated impairment	–
	<hr/>
Net carrying amount	–
	<hr/>
Cost at 1 January 2015, net of accumulated impairment	–
Acquisition of a subsidiary (<i>note 11</i>)	35,857
Impairment	(17,500)
	<hr/>
At 31 December 2015, 1 January 2016 and 30 June 2016	<u>18,357</u>
	<hr/>
At 30 June 2016:	
Cost	35,857
Accumulated impairment	(17,500)
	<hr/>
Net carrying amount	<u>18,357</u>
	<hr/>

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

11. BUSINESS COMBINATION

On 30 April 2015, the Group acquired an 80% equity interest in 福建愛潔麗日化有限公司 (the “Acquired Company”), a company established in the PRC, from an independent third party. The principal activity of the Acquired Company is manufacturing of toothpaste products. The acquisition was for expanding the Group’s oral care product line under children’s personal care products. The purchase consideration for the acquisition was satisfied by cash in the amount of RMB50,773,000.

The Group has elected to measure the non-controlling interest in the Acquired Company at the non-controlling interest’s proportionate share of the Acquired Company’s identifiable net assets.

As at 30 April 2015 and 30 June 2015, the purchase price allocation process of the Acquired Company was still in the progress. The Group has used the estimated fair values of the acquired assets and assumed liabilities with the excess of the cost of acquisition over these estimated fair values being recorded as goodwill. The purchase price allocation to the acquired assets and assumed liabilities in the condensed consolidated interim financial statements for the six months ended 30 June 2015 was provisional.

As at 31 December 2015, the Group had completed the purchase price allocation process of the Acquired Company. The following adjustments have been made to retrospectively adjust the provisional amounts recognised at the date of acquisition.

	Amounts recognised (provisional basis) as at 30 April 2015 RMB’000	Fair value adjustments RMB’000	Amounts recognised (fair value) as at 30 April 2015 RMB’000
Assets			
Property, plant and equipment	2,515	1	2,516
Inventories	663	330	993
Trade receivables	10,468	–	10,468
Prepayments, deposits and other receivables	2,910	–	2,910
Available-for-sale investment	1,000	–	1,000
Pledged deposits	2,755	–	2,755
Cash and cash equivalents	6,487	–	6,487
Liabilities			
Trade and bills payables	(7,592)	–	(7,592)
Other payables and accruals	(652)	–	(652)
Tax payable	(240)	–	(240)
Total identifiable net assets acquired	18,314	331	18,645
Non-controlling interests	(3,663)	(66)	(3,729)
Goodwill on acquisition (<i>note 10</i>)	36,122	(265)	35,857
Satisfied by cash	50,773	–	50,773

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

11. BUSINESS COMBINATION (continued)

The goodwill is mainly attributable to the future cash flows and profits generated from the manufacture of toothpaste products.

The Group incurred an insignificant amount of transaction costs for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the condensed consolidated income statement.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>RMB'000</i>
Cash consideration	(50,773)
Cash and cash equivalents acquired	<u>6,487</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(44,286)</u></u>

Since the acquisition, the Acquired Company contributed RMB3,137,000 to the Group's revenue and profit of RMB2,799,000 to the consolidated profit for the six months ended 30 June 2015.

Had the combination taken place at the beginning of the six months ended 30 June 2015, the revenue and the profit of the Group for the six months ended 30 June 2015 would have been RMB465,204,000 and RMB32,714,000, respectively.

12. TRADE AND BILLS RECEIVABLES

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Trade and bills receivables	<u>144,163</u>	<u>41,205</u>

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 and bills 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 and bills receivable balances. Trade and bills receivables are non-interest-bearing.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

12. TRADE AND BILLS RECEIVABLES (continued)

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

	30 June 2016 <i>RMB'000</i> (unaudited)	31 December 2015 <i>RMB'000</i> (audited)
Within 30 days	98,188	21,519
31 to 60 days	29,340	4,745
61 to 90 days	6,929	7,155
Over 90 days	9,706	7,786
	144,163	41,205

13. 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 2016 <i>RMB'000</i> (unaudited)	31 December 2015 <i>RMB'000</i> (audited)
Within 1 month	62,731	30,258
1 to 3 months	25,935	38,872
Over 3 months	15,996	15,752
	104,662	84,882

The trade payables are non-interest-bearing and are normally settled on terms of one to six months. As at 30 June 2016, bills payables of RMB3,043,000 (31 December 2015: RMB2,498,000) were secured by the pledge of certain of the Group's time deposits of RMB3,043,000 (31 December 2015: RMB2,498,000).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

14. 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 2016, there were no significant unrecognised deferred tax liabilities (31 December 2015: Nil) for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiaries expected to be distributed, after considering the abovementioned factors, in the foreseeable future.

15. ISSUED CAPITAL

	30 June 2016 <i>RMB'000</i> (unaudited)	31 December 2015 <i>RMB'000</i> (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 (2015: 1,010,491,000) ordinary shares of HK\$0.01 each	8,386	8,386

16. 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").

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

16. SHARE OPTION SCHEME (continued)

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.

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

	30 June 2016		31 December 2015	
	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	2.05	40,746	2.05	41,410
Granted during the period/year	0.81	41,137	–	–
Forfeited during the period/year	1.99	(504)	1.99	(664)
At 30 June/31 December	1.42	81,379	2.05	40,746

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

16. SHARE OPTION SCHEME (continued)

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

30 June 2016 Number of options '000	Exercise price HK\$ per share	Exercise period
8,958	1.92	14-10-2012 to 13-10-2021
7,294	2.94	21-06-2013 to 20-06-2022
23,990	1.83	26-09-2015 to 25-09-2024
31,437	0.81	18-01-2017 to 27-12-2025
9,700	0.81	20-01-2017 to 27-12-2025
81,379		

31 December 2015 Number of options '000	Exercise price HK\$ per share	Exercise period
9,102	1.92	14-10-2012 to 13-10-2021
7,354	2.94	21-06-2013 to 20-06-2022
24,290	1.83	26-09-2015 to 25-09-2024
40,746		

The Group recognised share option expenses of a total RMB5,199,000 (2015: RMB4,683,000) during the period ended 30 June 2016.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

16. SHARE OPTION SCHEME (continued)

The fair values of equity-settled share options granted during the six months ended 30 June 2016 were estimated as at the date of grant, using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share options granted on 18 January 2016	Share options granted on 20 January 2016
Dividend yield (%)	–	–
Expected volatility (%)	66.12	66.14
Risk-free interest rate (%)	1.486	1.707
Expected life of options (<i>year</i>)	8-10	8-10
Price of the Company's shares at date of grant (<i>HK\$ per share</i>)	0.64	0.64

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 81,379,000 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 81,379,000 additional ordinary shares of the Company and additional share capital of approximately HK\$814,000 (equivalent to approximately RMB696,000) and share premium of approximately HK\$115,052,000 (equivalent to approximately RMB98,332,000), before issue expenses.

At the date of approval of these condensed consolidated interim financial statements, the Company had 81,229,000 share options outstanding under the Scheme, which represented approximately 8.0% of the Company's shares in issue as at that date.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

17. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

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

	30 June 2016 <i>RMB'000</i> (unaudited)	31 December 2015 <i>RMB'000</i> (audited)
Within one year	1,718	1,713
In the second to fifth years, inclusive	1,456	1,322
	3,174	3,035

(b) As lessee

The Group leases certain of its warehouses and office premises under operating lease arrangements. Leases for properties are negotiated for terms of three 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 2016 <i>RMB'000</i> (unaudited)	31 December 2015 <i>RMB'000</i> (audited)
Within one year	1,412	1,047
In the second to fifth years, inclusive	38	452
	1,450	1,499

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2016 <i>RMB'000</i> (unaudited)	31 December 2015 <i>RMB'000</i> (audited)
Contracted, but not provided for:		
Construction of buildings	2,612	538
Purchase of items of property, plant and equipment	1,893	1,970
	4,505	2,508

19. 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 2016, the Group had pledged deposits of RMB2,000,000 (31 December 2015: RMB2,000,000) with the bank for this banking facility arrangement, and executed guarantees of a total of approximately RMB36,110,000 (31 December 2015: RMB36,110,000) to the bank in connection with the amounts advanced to these customers by the bank, of which RMB611,000 (31 December 2015: RMB6,701,000) had been utilised as at 30 June 2016.

20. 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:

		Six months ended 30 June	
	Note	2016 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i> (unaudited)
Related companies:			
Purchases of products	(a)	–	6

Note:

(a) Purchases from a related company, Fujian Shuangfei Daily Chemicals Co., Ltd, which is controlled by Mr. Li Zhenhui and Mr. Xie Jinling, who are beneficial shareholders of the Company, were made on mutually agreed terms.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

20. RELATED PARTY TRANSACTIONS (continued)

(ii) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Short term employee benefits	1,665	2,371
Post-employment benefits	14	16
Equity-settled share option expense	1,481	1,486
Total compensation paid to key management personnel	3,160	3,873

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

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills 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 interest-bearing bank borrowings 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.

Fair value hierarchy

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2016

21. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 30 June 2016, the financial instruments measured at fair value held by the Group comprised derivative financial instruments and were classified as Level 2.

During the six months ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

22. 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 29 August 2016.

Supplementary Information to the Interim Report

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 2016 are as follows:

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options						Outstanding as at 30 June 2016	Exercise period (Note 2)
			Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period	Reclassified during the period (Note 3)		
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	
	26 September 2014	1.83	400,000	-	-	-	-	-	400,000	G
			300,000	-	-	-	-	-	300,000	H
			300,000	-	-	-	-	-	300,000	I
				1,000,000	-	-	-	-	1,000,000	
18 January 2016	0.81	-	400,000	-	-	-	-	400,000	J	
		-	300,000	-	-	-	-	300,000	K	
		-	300,000	-	-	-	-	300,000	L	
			-	1,000,000	-	-	-	1,000,000		
<i>Sub-total</i>			<i>3,360,000</i>	<i>1,000,000</i>	-	-	-	<i>4,360,000</i>		



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options						Outstanding as at 30 June 2016	Exercise period (Note 2)
			Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period	Reclassified during the period (Note 3)		
Executive Directors (continued)										
Mr. Xie Jinling (also a substantial shareholder) (resigned on 19 July 2016)	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	
	26 September 2014	1.83	400,000	-	-	-	-	-	400,000	G
			300,000	-	-	-	-	-	300,000	H
			300,000	-	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	-	1,000,000	
	18 January 2016	0.81	-	400,000	-	-	-	-	400,000	J
			-	300,000	-	-	-	-	300,000	K
			-	300,000	-	-	-	-	300,000	L
			-	1,000,000	-	-	-	-	1,000,000	
<i>Sub-total</i>			2,800,000	1,000,000	-	-	-	-	3,800,000	



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

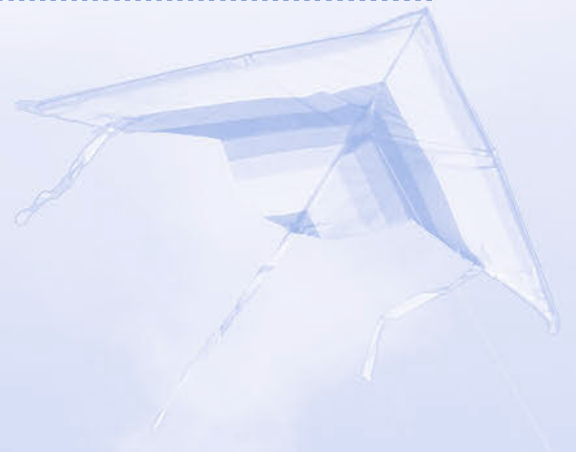
Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options						Outstanding as at 30 June 2016	Exercise period (Note 2)
			Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period	Reclassified during the period (Note 3)		
Executive Directors (continued)										
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		
	26 September 2014	1.83	400,000	-	-	-	-	-	400,000	G
			300,000	-	-	-	-	-	300,000	H
			300,000	-	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	1,000,000		
	18 January 2016	0.81	-	400,000	-	-	-	-	400,000	J
			-	300,000	-	-	-	-	300,000	K
			-	300,000	-	-	-	-	300,000	L
			-	1,000,000	-	-	-	1,000,000		
<i>Sub-total</i>			<i>2,400,000</i>	<i>1,000,000</i>	-	-	-	<i>3,400,000</i>		



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options						Outstanding as at 30 June 2016	Exercise period (Note 2)
			Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period	Reclassified during the period (Note 3)		
Executive Directors (continued)										
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		
	26 September 2014	1.83	400,000	-	-	-	-	-	400,000	G
			300,000	-	-	-	-	-	300,000	H
			300,000	-	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	1,000,000		
	18 January 2016	0.81	-	400,000	-	-	-	-	400,000	J
			-	300,000	-	-	-	-	300,000	K
			-	300,000	-	-	-	-	300,000	L
			-	1,000,000	-	-	-	1,000,000		
<i>Sub-total</i>			2,400,000	1,000,000	-	-	-	3,400,000		



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options						Outstanding as at 30 June 2016	Exercise period (Note 2)
			Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period	Reclassified during the period (Note 3)		
Executive Directors (continued)										
Mr. Li Zhouxin (appointed on 27 January 2016)	21 June 2012	2.94	-	-	-	-	-	90,000	90,000	E
			-	-	-	-	-	90,000	90,000	F
			-	-	-	-	-	180,000	180,000	
	26 September 2014	1.83	-	-	-	-	-	120,000	120,000	G
			-	-	-	-	-	90,000	90,000	H
			-	-	-	-	-	90,000	90,000	I
			-	-	-	-	-	300,000	300,000	
	18 January 2016	0.81	-	-	-	-	-	400,000	400,000	J
			-	-	-	-	-	300,000	300,000	K
			-	-	-	-	-	300,000	300,000	L
			-	-	-	-	-	1,000,000	1,000,000	
<i>Sub-total</i>			-	-	-	-	-	1,480,000	1,480,000	



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options						Outstanding as at 30 June 2016	Exercise period (Note 2)	
			Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period	Reclassified during the period (Note 3)			
Non-executive Director 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	
	26 September 2014	1.83	80,000	-	-	-	-	-	80,000	G	
			60,000	-	-	-	-	-	60,000	H	
			60,000	-	-	-	-	-	60,000	I	
				200,000	-	-	-	-	-	200,000	
18 January 2016	0.81	-	1,400,000	-	-	-	-	-	1,400,000	J	
		-	1,050,000	-	-	-	-	-	1,050,000	K	
		-	1,050,000	-	-	-	-	-	1,050,000	L	
			-	3,500,000	-	-	-	-	3,500,000		
<i>Sub-total</i>			400,000	3,500,000	-	-	-	-	3,900,000		



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options						Outstanding as at 30 June 2016	Exercise period (Note 2)
			Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period	Reclassified during the period (Note 3)		
Independent Non-executive Director										
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	
	26 September 2014	1.83	80,000	-	-	-	-	-	80,000	G
			60,000	-	-	-	-	-	60,000	H
			60,000	-	-	-	-	-	60,000	I
			200,000	-	-	-	-	-	200,000	
18 January 2016	0.81	-	80,000	-	-	-	-	80,000	J	
		-	60,000	-	-	-	-	60,000	K	
		-	60,000	-	-	-	-	60,000	L	
		-	200,000	-	-	-	-	200,000		
<i>Sub-total</i>			<i>400,000</i>	<i>200,000</i>	-	-	-	-	<i>600,000</i>	



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options						Outstanding as at 30 June 2016	Exercise period (Note 2)
			Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period	Reclassified during the period (Note 3)		
Former Directors										
Ms. Hong Fang (resigned on 27 January 2016)	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	
	26 September 2014	1.83	1,200,000	-	-	-	-	-	1,200,000	G
			900,000	-	-	-	-	-	900,000	H
			900,000	-	-	-	-	-	900,000	I
			3,000,000	-	-	-	-	-	3,000,000	
	18 January 2016	0.81	-	1,200,000	-	-	-	-	1,200,000	J
			-	900,000	-	-	-	-	900,000	K
			-	900,000	-	-	-	-	900,000	L
			-	3,000,000	-	-	-	-	3,000,000	
<i>Sub-total</i>			4,800,000	3,000,000	-	-	-	-	7,800,000	



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options						Outstanding as at 30 June 2016	Exercise period (Note 2)
			Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period	Reclassified during the period (Note 3)		
Former Directors (continued)										
Mr. Chen Shaojun (resigned on 4 May 2016)	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	
	26 September 2014	1.83	80,000	-	-	-	-	-	80,000	G
			60,000	-	-	-	-	-	60,000	H
			60,000	-	-	-	-	-	60,000	I
			200,000	-	-	-	-	-	200,000	
	18 January 2016	0.81	-	80,000	-	-	-	-	80,000	J
			-	60,000	-	-	-	-	60,000	K
			-	60,000	-	-	-	-	60,000	L
			-	200,000	-	-	-	-	200,000	
<i>Sub-total</i>			<i>400,000</i>	<i>200,000</i>	-	-	-	-	<i>600,000</i>	
Mr. Lee Man Chiu (resigned on 20 May 2016)	18 January 2016	0.81	-	80,000	-	-	-	-	80,000	J
			-	60,000	-	-	-	-	60,000	K
			-	60,000	-	-	-	-	60,000	L
<i>Sub-total</i>			-	<i>200,000</i>	-	-	-	-	<i>200,000</i>	
Total for directors			16,960,000	11,100,000	-	-	-	1,480,000	29,540,000	



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options						Outstanding as at 30 June 2016	Exercise period (Note 2)
			Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period	Reclassified during the period (Note 3)		
Employees of the Group in aggregate	14 October 2011	1.92	352,400	-	-	-	-	-	352,400	A
			1,606,800	-	-	-	(72,000)	-	1,534,800	B
			1,642,800	-	-	-	(72,000)	-	1,570,800	C
			3,602,000	-	-	-	(144,000)	-	3,458,000	
	21 June 2012	2.94	797,600	-	-	-	(24,000)	-	773,600	D
			1,348,200	-	-	-	(18,000)	(90,000)	1,240,200	E
			1,348,200	-	-	-	(18,000)	(90,000)	1,240,200	F
			3,494,000	-	-	-	(60,000)	(180,000)	3,254,000	
	26 September 2014	1.83	6,676,000	-	-	-	(120,000)	(120,000)	6,436,000	G
			5,007,000	-	-	-	(90,000)	(90,000)	4,827,000	H
			5,007,000	-	-	-	(90,000)	(90,000)	4,827,000	I
			16,690,000	-	-	-	(300,000)	(300,000)	16,090,000	
18 January 2016	0.81	-	8,134,600	-	-	-	(400,000)	7,734,600	J	
		-	6,100,950	-	-	-	(300,000)	5,800,950	K	
		-	6,100,950	-	-	-	(300,000)	5,800,950	L	
		-	20,336,500	-	-	-	(1,000,000)	19,336,500		
Total for employees			23,786,000	20,336,500	-	-	(504,000)	(1,480,000)	42,138,500	
Distributors of the Group in aggregate	20 January 2016	0.81	-	3,880,000	-	-	-	-	3,880,000	M
			-	2,910,000	-	-	-	-	2,910,000	N
			-	2,910,000	-	-	-	-	2,910,000	O
Total for distributors			-	9,700,000	-	-	-	-	9,700,000	
TOTAL			40,746,000	41,136,500	-	-	(504,000)	-	81,378,500	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Notes:

1. The closing prices of the Company's shares immediately before the dates of grant on 14 October 2011, 21 June 2012, 26 September 2014, 18 January 2016 and 20 January 2016 were HK\$1.98, HK\$2.94, HK\$1.86, HK\$0.64 and HK\$0.67, respectively.
2. 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
 - G: From 26 September 2015 to 25 September 2024
 - H: From 26 September 2016 to 25 September 2024
 - I: From 26 September 2017 to 25 September 2024
 - J: From 18 January 2017 to 27 December 2025
 - K: From 18 January 2018 to 27 December 2025
 - L: From 18 January 2019 to 27 December 2025
 - M: From 20 January 2017 to 27 December 2025
 - N: From 20 January 2018 to 27 December 2025
 - O: From 20 January 2019 to 27 December 2025

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

3. The reclassification of share options arose from the appointment of Mr. Li Zhouxin, an employee of the Group, as an executive director of the Company with effect from 27 January 2016.
4. 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 2016, the interests of the directors of the Company in the shares and underlying shares of the Company, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (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 positions in the ordinary shares of the Company

<u>Name of director</u>	<u>Nature of interests</u>	<u>Number of ordinary shares interested</u>	<u>Percentage⁺ of the Company's issued share capital</u>
Mr. Li Zhenhui	Interest of controlled corporations (<i>Note 1</i>)	343,408,500	33.98%
Mr. Xie Jinling	Interest of controlled corporation (<i>Note 2</i>)	140,383,500	13.89%
Mr. Ge Xiaohua	Beneficial owner	400,000	0.04%
Mr. Huang Xinwen	Beneficial owner	400,000	0.04%
Mr. Ren Yunan	Beneficial owner	100,000	0.01%

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.

Mr. Xie Jinling resigned as a director of the Company on 19 July 2016.

- * The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2016.



Supplementary Information to the Interim Report (continued)

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

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

Name of director	Nature of interests	Number of underlying shares interested	Percentage* of underlying shares over the Company's issued share capital
Mr. Li Zhenhui	Beneficial owner	4,360,000	0.43%
Mr. Xie Jinling (Note)	Beneficial owner	3,800,000	0.38%
Mr. Ge Xiaohua	Beneficial owner	3,400,000	0.34%
Mr. Huang Xinwen	Beneficial owner	3,400,000	0.34%
Mr. Li Zhouxin	Beneficial owner	1,480,000	0.15%
Mr. Ren Yunan	Beneficial owner	3,900,000	0.39%
Mr. Wong Wai Ming	Beneficial owner	600,000	0.06%

Note: Mr. Xie Jinling resigned as a director of the Company on 19 July 2016.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2016.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2016, 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, 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 2016, 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:

A. Long positions in the ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of ordinary shares interested	Percentage⁺ of the Company's issued share capital
Prince Frog International Company Limited	Beneficial owner (Notes 1 & 4)	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%
Elite Beauty International Trading (Hong Kong) Co., Limited	Beneficial owner (Note 4)	80,000,000	7.92%
Mr. Li Liang	Interest of controlled corporation (Note 4)	80,000,000	7.92%



Supplementary Information to the Interim Report (continued)

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

A. Long positions in the ordinary shares of the Company (continued)

Notes:

1. 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".
2. 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".
3. 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".
4. On 24 June 2016, Prince Frog International Company Limited and Elite Beauty International Trading (Hong Kong) Co., Limited (a controlled corporation of Mr. Li Liang, son of Mr. Li Zhenhui) entered into a share transfer agreement. Pursuant to the said share transfer agreement, Prince Frog International Company Limited would transfer 80,000,000 shares of the Company to Elite Beauty International Trading (Hong Kong) Co., Limited. Accordingly, Elite Beauty International Trading (Hong Kong) Co., Limited and Mr. Li Liang were deemed to be interested in these 80,000,000 shares pursuant to Part XV of the SFO.

The aforesaid transfer of shares was subsequently completed on 22 July 2016. Further details regarding the said transfer of shares are set out in the Company's announcements dated 24 June 2016 and 22 July 2016.

- * The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2016.

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

Name of substantial shareholder	Nature of interests	Number of underlying shares interested	Percentage ⁺ of underlying shares over the Company's issued share capital
Mr. Li Liang	Beneficial owner	30,000	0.003%

- * The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2016.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2016, no person, other than the directors/chief executive 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.

Supplementary Information to the Interim Report (continued)

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct governing transactions in the Company's securities by directors of the Company. All directors of the Company 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 Reporting Period.

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 2016.

DISCLOSURE PURSUANT TO PARAGRAPH 44(3) OF APPENDIX 16 TO THE LISTING RULES

The Company has been unable to comply with the following requirements due to the resignation of Mr. Lee Man Chiu as an independent non-executive director of the Company on 20 May 2016:

- (a) Listing Rule 3.10(1), which prescribes that a listed issuer must have at least three independent non-executive directors; and
- (b) Listing Rule 3.10A, which prescribes that a listed issuer must appoint independent non-executive directors representing at least one-third of the board.

The Company had subsequently complied with the aforesaid Listing Rule requirements upon its appointment of Mr. Tsao Benedict as an independent non-executive director of the Company on 19 July 2016.

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 Reporting Period, 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 ("Mr. Li") currently holds the positions of Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 22 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 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.

Supplementary Information to the Interim Report (continued)

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company are set out as follow:

- Mr. Ren Yunan was appointed as a supervisor (as shareholders' representative) of the fifth session of the supervisory committee of Dongjiang Environmental Company Limited (東江環保股份有限公司, a company listed on the Main Board of the Stock Exchange (stock code: 895) and the Small and Medium Enterprise Board of the Shenzhen Stock Exchange (stock code: 2672)) on 6 June 2016.
- Mr. Li Zhouxin was appointed as a director of Prince Frog (HK) Daily Chemicals Company Limited (a wholly-owned subsidiary of the Company) on 19 July 2016.

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 Reporting Period.

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 Reporting Period, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.

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 and transfer office, 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.