China Child Care Corporation Limited
中國兒童護理有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1259)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2018:

Revenue decreased by about 20.7% from approximately RMB795.6 million of the same period in 2017 to approximately RMB631.2 million.

Gross profit decreased by about 47.7% over the same period in 2017 to approximately RMB95.1 million.

Gross profit margin decreased by around 7.7 percentage points over the same period in 2017 to approximately 15.1%.

Loss attributable to equity holders of the Company for the year amounted to approximately RMB431.4 million, as compared to loss attributable to equity holders of the Company amounted to RMB170.7 million over the same period in 2017.

Basic loss per share attributable to equity holders of the Company amounted to approximately RMB33.8 cents, as compared to basic loss per share attributable to equity holders of the Company amounted to approximately RMB15.5 cents over the same period in 2017.

The board (the "**Board**") of directors (the "**Directors**") of China Child Care Corporation Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018 (the "**reporting period**"), together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*4*	**631,215**	795,580
Cost of sales		**(536,157)**	(613,829)
Gross profit		**95,058**	181,751
Other income and gains	*5*	**6,830**	130,423
(Loss)/gain on change in fair value of investment properties		**(16,386)**	13,222
Selling and distribution expenses		**(66,718)**	(227,146)
Administrative expenses		**(134,594)**	(148,506)
Impairment loss of goodwill		**(31,157)**	(36,300)
Other expenses	*6*	**(274,426)**	(65,840)
Finance costs	*7*	**(11,248)**	(3,215)
Share of loss of associates		**(3,867)**	(628)
Share of loss of joint ventures		**(899)**	(299)
Loss before tax	*8*	**(437,407)**	(156,538)
Income tax expense	*9*	**(1,553)**	(6,745)
Loss for the year		**(438,960)**	(163,283)
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(431,435)**	(170,744)
Non-controlling interests		**(7,525)**	7,461
Loss for the year		**(438,960)**	(163,283)

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Other comprehensive income/(expense):			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Mainland China		**30,881**	(28,311)
Increase/(decrease) in investment revaluation reserve from:			
– Gain on change in fair value of available-for-sale investments, net of tax		**–**	55,970
– Reserve released to profit or loss on disposal of available-for-sale investments		**–**	(10,292)
		30,881	17,367
Items that may not be reclassified to profit or loss in subsequent periods:			
Loss on change in fair value of financial assets at fair value through other comprehensive income		**(82,360)**	–
Deferred tax liabilities taken to retained profits on disposal of properties		**–**	2,386
		(82,360)	2,386
Other comprehensive (expense)/income for the year		**(51,479)**	19,753
Total comprehensive expense for the year		**(490,439)**	(143,530)
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		**(482,092)**	(150,563)
Non-controlling interests		**(8,347)**	7,033
		(490,439)	(143,530)

		2018	2017
		RMB cents	*RMB cents*
Loss per share attributable to equity holders of the Company	*11*		
Basic		**(33.8)**	(15.5)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**171,823**	402,050
Prepaid land lease payments		**10,511**	13,630
Investment properties		**115,768**	95,272
Properties for development		**123,854**	137,297
Goodwill		**22,800**	63,314
Intangible assets		**–**	530
Interests in associates		**616**	7,700
Interests in joint ventures		**–**	–
Financial assets at fair value through other comprehensive income		**128,361**	–
Available-for-sale investments		**–**	202,119
Deferred tax assets		**804**	–
Loan and interest receivables	*12*	**107,753**	99,495
Prepayments and deposits		**16,700**	7,245
		698,990	1,028,652
CURRENT ASSETS			
Inventories		**102,239**	31,967
Loan and interest receivables	*12*	**68,338**	105,887
Trade and bills receivables	*13*	**82,164**	113,164
Prepayments, deposits and other receivables		**40,861**	37,834
Other financial assets		**14,010**	–
Amounts due from related companies		**9,782**	9,748
Amount due from an associate		**23,589**	40,067
Amount due from a joint venture		**5,896**	6,462
Amount due from non-controlling interest		**2,961**	1,663
Tax recoverable		**136**	129
Pledged bank deposits		**7,442**	127,118
Cash and cash equivalents		**218,888**	222,691
		576,306	696,730
Asset classified as held for sale		**–**	6,246
		576,306	702,976

	Notes	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	*14*	**70,770**	71,451
Other payables and accruals		**43,123**	43,606
Bank and other borrowings		**173,768**	164,966
Promissory notes payable		**13,615**	22,872
Amount due to a related company		**1,500**	–
Amounts due to associates		**92,065**	79,982
Amount due to a joint venture		**4**	4
Amount due to non-controlling interest		**830**	762
Tax payable		**16,977**	13,644
		412,652	397,287
NET CURRENT ASSETS		**163,654**	305,689
TOTAL ASSETS LESS CURRENT LIABILITIES		**862,644**	1,334,341
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(15,418)**	(18,760)
NET ASSETS		**847,226**	1,315,581
EQUITY			
Share capital		**11,649**	9,694
Reserves		**762,325**	1,220,176
Equity attributable to equity holders of the Company		**773,974**	1,229,870
Non-controlling interests		**73,252**	85,711
TOTAL EQUITY		**847,226**	1,315,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Child Care Corporation Limited was incorporated as an exempted company with limited liability in the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 Hong Kong is located at Room 2005-2006, Kinwick Centre, 32 Hollywood Road, Central, Hong Kong and in the People's Republic of China (the "Mainland China" or 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, money lending, operation of online platform, trading of commodities, securities investment, properties holding and investment holding.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised IFRSs applied in the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("IASB"):

IFRS 9 (2014)	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers
Amendments to IFRS 1	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 "Revenue", and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 "Revenue" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

– Manufacture and sale of personal care products

– Trading of commodities

– Money lending

Revenue from leasing of investment properties will continue to be accounted for in accordance with IAS 17 "Lease".

Taking into account the changes in accounting policy arising from initial application of IFRS 15, the directors of the Company considered that the initial application of IFRS 15 has no material impact to the consolidated financial statements of the Group.

IFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied IFRS 9 "Financial Instruments" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and (iii) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	Available-for-sale investments	Financial assets at fair value through other comprehensive income ("FVTOCI")	Investment revaluation reserve	FVTOCI revaluation reserve
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Closing balance at 31 December 2017 under IAS 39	*(a)*	202,119	–	45,678	–
Effect arising from initial application of IFRS 9 from available-for-sale investments	*(a)*	(202,119)	202,119	(45,678)	45,678
Opening balance at 1 January 2018		–	202,119	–	45,678

(a) Available-for-sale investments

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB202,119,000 were reclassified from available-for-sale investments to financial assets at FVTOCI. Any fair value gains/ losses relating to those unquoted equity investments previously carried at cost less impairment were adjusted to financial assets at FVTOCI and the FVTOCI revaluation reserve as at 1 January 2018. The fair value gains of RMB45,678,000 relating to those investments previously carried at fair value continued to accumulate in the FVTOCI revaluation reserve.

(b) Impairment under ECL model

The application of the ECL model of IFRS 9 has no material impact on the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade and other receivables.

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL trade receivables. Except for those which had been determined as credit impaired under IAS 39, trade receivables have been assessed individually with outstanding significant balances, the remaining balances are grouped based on past due analysis.

ECL for other financial assets at amortised cost, including loan and interest receivables, other receivables, amounts due from related companies, amount due from an associate, amount due from a joint venture, amount due from non-controlling interest, and bank balances, are assessed on twelve-month ECL basis as these had been no significant increase in credit risk since initial recognition.

Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

Other than the effect on IFRS 9 and IAS 40 as disclosed above, the adoption of the above new or revised IFRSs did not have a material impact on the Group's financial performance and the financial position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

The Group has not applied any new or revised IFRSs that have been issued but are not yet effective for current accounting period.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into the following operating segments based on their products and services:

(a) Personal care products – manufacture and sale of skin care, body and hair care, oral care and diaper and tissue products

(b) Money lending

(c) Operation of online platform

(d) Trading of commodities

(e) Securities investment

(f) Properties holding

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 loss/profit, which is a measure of adjusted loss/profit before tax. The adjusted loss/profit before tax is measured consistently with the Group's loss/profit before tax except for that interest income, gain on disposal of subsidiaries, other unallocated income and gains, impairment loss of goodwill, finance costs as well as corporate and unallocated expenses are excluded from such measurement.

Segment assets exclude unallocated property, plant and equipment, prepayments, deposits and other receivables, available-for-sale investments, unallocated financial assets at fair value through other comprehensive income, other financial assets, amount due from a joint venture, tax recoverable, pledged bank deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude unallocated other payables and accruals, bank and other borrowings, promissory notes payable, tax payable, amount due to a joint venture and deferred tax liabilities as these liabilities are managed on a group basis.

	Personal care products *RMB'000*	Money lending *RMB'000*	Operation of online platform *RMB'000*	Trading of commodities *RMB'000*	Securities investment *RMB'000*	Properties holding *RMB'000*	Total *RMB'000*
Segment revenue and segment results							
Year ended 31 December 2018							
Segment revenue	**396,093**	**35,936**	**11,515**	**182,890**	**–**	**4,781**	**631,215**
Unallocated revenue							**–**
Total revenue							**631,215**
Segment (loss)/profit	**(338,070)**	**4,736**	**8,116**	**(16,642)**	**(96)**	**(34,312)**	**(376,268)**
Interest income							**3,234**
Loss on disposal of a subsidiary							**(9,004)**
Other unallocated income and gains							**3,738**
Impairment loss on goodwill			**(31,157)**				**(31,157)**
Corporate and other unallocated expenses							**(16,702)**
Finance costs							**(11,248)**
Loss before tax							**(437,407)**
Segment assets and segment liabilities							
As at 31 December 2018							
Segment assets	**455,018**	**198,167**	**13,565**	**157,898**	**132,286**	**209,130**	**1,166,064**
Goodwill			**22,800**				**22,800**
Corporate and other unallocated assets							**86,432**
Total assets							**1,275,296**
Segment liabilities	**181,517**	**3,043**	**50**	**15,829**	**196**	**1,624**	**202,259**
Corporate and other unallocated liabilities							**225,811**
Total liabilities							**428,070**
Other segment information:							
Depreciation and amortisation*	**25,688**	**719**	**495**	**–**	**–**	**37**	**26,939**
Unallocated							**1,660**
							28,599
Capital expenditure**	**10,617**	**48**	**–**	**–**	**–**	**285**	**10,950**
Unallocated							**–**
							10,950

	Personal care products RMB'000	Money lending RMB'000	Operation of online platform RMB'000	Trading of commodities RMB'000	Securities investment RMB'000	Properties holding RMB'000	Total RMB'000
Segment revenue and segment results Year ended 31 December 2017							
Segment revenue	570,791	31,820	21,070	171,387	–	304	**795,372**
Unallocated revenue							**208**
Total revenue							**795,580**
Segment (loss)/profit	(227,743)	3,145	16,461	4,891	9,263	13,046	**(180,937)**
Interest income							**9,527**
Gain on disposal of subsidiaries							**95,885**
Other unallocated income and gains							**1,087**
Impairment loss on goodwill	(7,000)		(29,300)				**(36,300)**
Corporate and other unallocated expenses							**(42,585)**
Finance costs							**(3,215)**
Loss before tax							**(156,538)**
Segment assets and segment liabilities As at 31 December 2017							
Segment assets	624,106	216,978	16,716	3,278	185,708	239,694	**1,286,480**
Goodwill	9,357		53,957				**63,314**
Corporate and other unallocated assets							**381,834**
Total assets							**1,731,628**
Segment liabilities	171,961	14,739	166	29	185	2,007	**189,087**
Corporate and other unallocated liabilities							**226,960**
Total liabilities							**416,047**
Other segment information:							
Depreciation and amortisation*	32,099	9	338	–	–	–	**32,446**
Unallocated							**540**
							32,986
Capital expenditure**	13,175	7,449	1,308	–	–	230,075	**252,007**
Unallocated							**5,294**
							257,301

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment sale in the current year (2017: Nil).

* Depreciation and amortisation consist of depreciation of property, plant and equipment and amortisation of intangible assets and prepaid land lease payments.

** Capital expenditure consists of additions to property, plant and equipment, investment properties and properties for development.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers as detailed below:

	2018	2017
	RMB'000	*RMB'000*
PRC (excluding Hong Kong)	**361,112**	456,117
Hong Kong	**65,675**	54,989
USA	**159,998**	139,701
Indonesia	**–**	96,212
Overseas (excluding USA and Indonesia)	**44,430**	48,561
	631,215	795,580

Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

		2018	2017
	Revenue generated from	***RMB'000***	*RMB'000*
Customer A	Personal care products	**165,184**	98,070
Customer B	Personal care products	**135,960**	115,634
Customer C	Trading of commodities	**N/A***	96,212

* The revenue from Customer C for the year ended 31 December 2018 did not exceed 10% of the total revenue of the Group for the year.

4. REVENUE

The following is an analysis of the Group's revenue for the year:

	2018	2017
	RMB'000	*RMB'000*
Revenue from sales of goods	**578,983**	742,178
Interest income from money lending business	**35,936**	31,820
Income from operation of online platform	**11,515**	21,070
Rental income from lease of investment properties	**4,781**	304
Consultancy income	**–**	208
	631,215	795,580

5. OTHER INCOME AND GAINS

	2018	2017
	RMB'000	*RMB'000*
Interest income	**3,234**	9,527
Income derived from other financial assets	**504**	–
Income derived from available-for-sale investments	**–**	1,053
Gain on disposal of available-for-sale investments	**–**	11,477
Gain on disposal of subsidiaries	**–**	95,885
Gain on disposal of intangible assets *(note b)*	**–**	4,505
Government subsidies *(note a)*	**1,399**	2,340
Gain on disposal of property, plant and equipment	**31**	–
Reversal of impairment loss of trade receivables *(note 13)*	**–**	4,525
Sundry income	**1,662**	1,111
	6,830	130,423

Notes:

(a) There are no unfulfilled conditions or contingencies relating to these subsidies.

(b) The cost incurred for the internal generated intangible assets had been expensed in prior years.

6. OTHER EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Loss on disposal of a subsidiary	**9,004**	–
Loss on disposal of property, plant and equipment	**–**	1,308
Loss on early redemption of promissory note	**104**	–
Impairment loss on property, plant and equipment	**170,747**	38,533
Impairment loss on properties for development	**20,154**	–
Impairment loss on interests in associates	**3,217**	8,372
Impairment loss on available-for-sale investments	**–**	7,789
Impairment loss on loan and interests receivable *(note 12)*	**4,673**	–
Impairment loss on trade receivables *(note 13)*	**1,660**	–
Impairment loss on other receivables	**–**	429
Trade receivables written off	**4,060**	8,278
Inventories written off	**–**	1,061
Labelling issue recalling expenses	**60,614**	–
Others	**193**	70
	274,426	65,840

7. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank borrowings	**5,589**	2,368
Interest on bank overdrafts	**–**	2
Interest on bill payables	**1,950**	–
Interest on other borrowings	**3,573**	389
Imputed interest on promissory notes payable	**136**	456
	11,248	3,215

8. LOSS BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold *(note a)*	**536,157**	613,829
Depreciation *(note a)*	**28,293**	32,584
Amortisation of prepaid land lease payments	**270**	339
Amortisation of intangible assets	**36**	63
Minimum lease payments under operating leases on land and buildings	**4,590**	3,454
Employee benefit expenses (including directors' remuneration *(notes a & b)*:		
Wages and salaries	**94,115**	102,907
Equity-settled share-based payments	**1,213**	6,395
Retirement benefit scheme contributions	**3,557**	8,155
Total staff costs	**98,885**	117,457
Auditors' remuneration		
– audit services	**1,751**	1,724
– non-audit services	**342**	668
Research and development costs included in administrative expenses *(note b)*	**20,621**	8,721
Loss on change in fair value of derivative financial liabilities included in administrative expenses	**–**	1,822
Net foreign exchange loss	**6,740**	13,077

Notes:

(a) The depreciation and employee benefit expenses include amounts of RMB8,747,000 (2017: RMB19,723,000) and RMB50,617,000 (2017: RMB44,781,000) respectively which are also included in the cost of inventories sold.

(b) The research and development costs for the year include an amount of RMB4,564,000 (2017: RMB2,560,000) relating to staff costs for research and development activities, which is also included in the total amounts of employee benefit expenses.

9. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Hong Kong Profits Tax	**2,389**	5,470
PRC Enterprise Income Tax	**206**	1,654
Current tax charge	**2,595**	7,124
Deferred tax credit	**(1,042)**	(379)
Total income tax recognised in profit or loss	**1,553**	6,745

10. DIVIDENDS

The directors of the Company do not recommend any payment of a dividend in respect of the year ended 31 December 2018 (2017: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	2018	2017
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to equity holders of the Company	**(431,435)**	(170,744)
Loss for the purpose of diluted loss per share	**N/A**	N/A

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,277,771**	1,100,474
Weighted average number of ordinary shares for the purpose of diluted loss per share	**N/A**	N/A

The computation of diluted loss per share does not assume the exercise of the Company's share options granted because the exercise prices of those share options were higher than the average market prices for shares of the Company for both of years ended 31 December 2018 and 31 December 2017.

Diluted loss per share for the year ended 31 December 2018 and 31 December 2017 are not presented as there were no other potential shares in issue for both of the years.

12. LOAN AND INTEREST RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Loan and interest receivables thereon		
– within one year	**73,198**	105,887
– in the second to fifth years	**102,878**	83,253
– over the fifth years	**4,875**	16,242
	180,951	205,382
Less: Allowance of loan and interest receivables	**(4,860)**	–
	176,091	205,382
Analysed for reporting as:		
Non-current asset	**107,753**	99,495
Current asset	**68,338**	105,887
	176,091	205,382

Movements during the year are as follows:

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**205,382**	125,341
Loans made by the Group	**95,590**	347,964
Interest on loans receivable	**35,936**	31,820
Loans and interest repaid by borrowers	**(165,830)**	(287,432)
Impairment loss recognised *(note 6)*	**(4,673)**	–
Exchange realignment	**9,686**	(12,311)
At 31 December	**176,091**	205,382

Movements of allowance of loan and interest receivables are as follows:

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**–**	–
Impairment loss recognised *(note 6)*	**4,673**	–
Exchange realignment	**187**	–
At 31 December	**4,860**	–

Details of loan receivables (excluding interest receivables) are as follows:

31 December 2018

Loan principal amount	**Number of borrowers**	**Interest rate per annum**	**Maturity date**	**Security pledged**
HK$'000				
123,385	**10**	**16.0%~31.5%**	**Within 1 year to 20 years**	**Leasehold properties owned by the borrowers**
71,025	**366**	**12.0%~58.0%**	**Within 1 year to 10 years**	**Nil**
194,410				

31 December 2017

Loan principal amount	Number of borrowers	Interest rate per annum	Maturity date	Security pledged
HK$'000				
216,427	36	10.0%-31.5%	Within 1 year to 20 years	Leasehold properties owned by the borrowers
21,789	122	12.0%-58.0%	Within 1 year to 4 years	Nil
238,216				

Loan and interest receivables thereon will be settled by the borrowers at their respective maturity dates.

13. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade and bills receivables	**84,075**	113,415
Less: Allowance of trade and bills receivables	**(1,911)**	(251)
	82,164	113,164

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 180 days (2017: 30 days to 180 days).

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

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:

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**25,859**	24,228
31 to 60 days	**23,502**	18,207
61 to 90 days	**4,025**	24,940
Over 90 days	**28,778**	45,789
	82,164	113,164

Movements of allowance of trade and bill receivables are as follows:

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**251**	4,776
Impairment loss recognised *(note 6)*	**1,660**	–
Reversal of impairment *(note 5)*	**–**	(4,525)
At 31 December	**1,911**	251

14. TRADE AND BILLS PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**34,644**	46,795
31 to 90 days	**18,466**	10,026
Over 90 days	**17,660**	14,630
	70,770	71,451

The trade payables are interest free and are normally settled on terms of 30 days to 180 days (2017: 30 days to 180 days).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Personal Care Products

During the reporting period, the revenue from personal care products business was approximately RMB396.1 million, representing a decrease of about 30.6% over the same period of last year (31 December 2017: RMB570.8 million). The personal care products business recorded a loss of approximately RMB338.1 million during the reporting period, representing an increase of about 48.4% over the same period of last year (31 December 2017: RMB227.7 million).

The deconsolidation (the "**Deconsolidation**") of Fujian Herun Supply Chain Management Co., Ltd. (福建和潤供應鏈管理有限公司) ("**Fujian Herun**") from the Company's consolidated financial statements and the equity method of accounting for the Group's remaining 30% equity interest in Fujian Herun in the first half of 2017 resulted in a decrease in revenue of personal care products business.

The additional loss was primarily due to the decrease in the revenue of personal care products business due to slowdown of economy in the People's Republic of China (the "**PRC**") and the Group's personal care products business changes from manufacturing to OEM which resulted in decrease of the gross profit of personal care products.

Impairment losses on property, plant and equipment of approximately RMB170.7 million was provided during the reporting period (31 December 2017: RMB38.5 million). Moreover, the recalling fee caused by labelling issue of the products was approximately RMB60.6 million (31 December 2017: Nil).

Money Lending Business

During the reporting period, this business segment generated interest income of approximately RMB35.9 million, representing an increase of about 12.9% over the same period of last year (31 December 2017: RMB31.8 million) and recorded a segment profit of approximately RMB4.7 million during the reporting period, representing an increase of about 50.6% over the same period of last year (31 December 2017: RMB3.1 million).

An impairment loss on loan and interest receivables of approximately RMB4.7 million was provided during the reporting period (31 December 2017: Nil)

As at 31 December 2018, the Group had outstanding (i) unsecured loan of approximately RMB62.5 million with average effective interest rate of approximately 35.5% per annum with terms ranging from 6 months to 120 months; and (ii) mortgage loan of approximately RMB108.4 million with average effective interest rate of approximately 17.5% per annum with terms ranging from 1 month to 240 months. The mortgage loans granted by the Group were typically secured by mortgages, charge on shares or charge on assets. In the event of default or failure to repay any outstanding amounts by the debtors, the Group has the right to proceed with sale of collaterals.

The Group is of the view that an expansion of its money lending business through participation of the provision of personal loans and mortgage loans could allow the Group to take the opportunity to enjoy the potential benefits brought by such financing contraction.

On 4 July 2017, the Group entered into the loan agreement with customer A and customer B. Pursuant to which the Group agreed to grant to the customer A and customer B, a loan with principal amount of HK$75.0 million, bearing interest at a rate of 12.0% per annum for a period of 12 months from the date of the loan agreement. The loan is secured by second legal mortgage in respect of a residential property located in Ho Man Tin, Kowloon. The loan was fully settled in 2017.

Details of the loan and the provision of financial assistance are set out in the Company's announcement dated 4 July 2017.

On 19 July 2017, the Group entered into the loan agreement with customer C and customer D. Pursuant to which the Group agreed to grant to the customer C and customer D, a loan with principal amount of HK$95.0 million, bearing interest at a rate of 16.0% per annum for a period of 36 months from the date of the loan agreement. The loan is secured by third legal mortgage in respect of a residential property located in South Island, Hong Kong.

Details of the loan and the provision of financial assistance are set out in the Company's announcement dated 19 July 2017.

On 14 November 2017, the Group entered into the loan agreement with customer E and customer F. Pursuant to which the Group agreed to grant to the customer E and customer F, a loan with principal amount of HK$23.5 million, bearing interest at a rate of 12.0% per annum for a period of 12 months from the date of the loan agreement. The loan is secured by first legal mortgage in respect of residential properties located in Tseung Kwan O, New Territories, Hong Kong. The loan was fully settled in 2018.

Details of the loan and the provision of financial assistance are set out in the Company's announcement dated 14 November 2017.

Operation of Online Platform

During the reporting period, the operation of online platform focusing on the children, babies and parents contributed a total revenue of approximately RMB11.5 million to the Group, representing a decrease of about 45.3% over the same period of last year (31 December 2017: RMB21.1 million) and recorded a profit of approximately RMB8.1 million, representing a decrease of about 50.7% over the same period of last year (31 December 2017: RMB16.5 million).

Trading of Commodities

During the reporting period, the Group's segment of trading of commodities contributed a total revenue of approximately RMB182.9 million to the Group, representing an increase of about 6.7% over the same period of last year (31 December 2017: RMB171.4 million). The increase was mainly due to the increase in the transaction amount of the sale of electronic products and other electronic components to the electronic product distributors and retailers across the country which contributed approximately RMB160.9 million to the Group (31 December 2017: RMB57.0 milion). The trading of beverages and trading of other commodities contributed approximately RMB2.6 million and RMB19.4 million to the Group respectively (31 December 2017: RMB17.7 million and RMB0.5 million respectively).

The business of trading of commodities recorded a loss of approximately RMB16.6 million (profit for the year ended 31 December 2017: RMB4.9 million).

Securities Investment

The Group's securities investment business includes investment in listed securities and private unlisted fund for long-term purposes which classified as financial assets at fair value through other comprehensive income.

As at 31 December 2018, the Group had a portfolio of securities investment of approximately RMB50.9 million and all of which were equity securities listed in Hong Kong and unlisted investment fund of approximately RMB62.4 million. For the reporting period, the Group recorded a net unrealised loss of approximately RMB74.9 million and a net realised loss of approximately RMB3.5 million.

Details of the investments performance of equity securities listed in Hong Kong and the unlisted fund are as follows:

Name of the investments	% to the total assets of the Group as at 1 January 2018	% to the interest in the respective investments as at 1 January 2018	Fair value as at 1 January 2018	Movement for the year			Fair value as at 31 December 2018	% to the total assets of the Group as at 31 December 2018	% to the interest in the respective investments as at 31 December 2018	Realised gain/(loss) on investments
				Addition/ (disposal)	Change on fair value	Exchange realignment				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Listed securities										
International Entertainment Corporation (1009)	1.23	0.97	21,266	–	(10,335)	752	11,683	0.92	0.97	–
LEAP Holdings Group Limited (1499)	1.78	1.48	30,820	–	(11,515)	1,226	20,531	1.61	1.48	–
China Baoli Technologies Holdings Limited (164)	0.52	0.26	9,013	(9,013)	–	–	–	–	–	(3,911)
Singasia Holdings Limited (8293)	0.43	0.20	7,437	(1,725)	4,424	489	10,625	0.83	0.15	2,072
Champion Technology Holdings Limited (92)	–	–	–	5,682	(2,198)	139	3,623	0.28	2.41	–
Dingyi Group Investment Limited (508)	–	–	–	3,866	(437)	137	3,566	0.28	0.10	–
Wai Chun Group Holdings Limited (1013)	–	–	–	–	–	–	–	–	–	(380)
Mindtell Technology Limited (8611)	–	–	–	–	–	–	–	–	–	(1,240)
Gain Plus Holdings Limited (8522)	–	–	–	1,021	(159)	35	897	0.07	0.34	–
			68,536	(169)	(20,220)	2,778	50,925			(3,459)
Unlisted fund										
Head and shoulders Global investment Fund SFC	6.76	N/A	117,135	–	(54,693)	–	62,442	4.90	N/A	N/A
Total			185,671	(169)	(74,913)	2,778	113,367			(3,459)

The Group will continue to be cautious in making new investments and trading of financial assets under current economic fluctuation and is aimed to maintain and grow its portfolio value in future.

Properties Holding

In the second quarter of 2017, the Group acquired the entire issued share capital of Apex Magic International Limited (the "**Acquisition**"), an investment holding company incorporated in the British Virgin Islands with limited liability, from an independent third party. Apex Magic International Limited and its subsidiaries (the "**Acquired Group**") are principally engaged in properties holding. The assets of the Acquired Group mainly consist of the lands and the properties located in Yuen Long, Hong Kong. The Group is optimistic about the development of property market in Hong Kong due to shortage in supply of land and therefore, has been identifying the potential property investment and development opportunities in Hong Kong. It is the intention of the Company that the properties erected on all the lands owned by the Acquired Group shall be demolished and such lands be redeveloped. Relevant applications have been made to the Government and to the best knowledge, information and belief of the directors of the Company, there is no legal impediment in obtaining the relevant approval from the government.

On 21 September 2017, the Group acquired the entire issued share capital of Earn Rich Properties Limited ("**Earn Rich**"), a company incorporated in Hong Kong with limited liability on 28 March 2017. Since its incorporation, Earn Rich has not carried on any business except for entering into a provisional agreement (the "**Provisional Agreement**") with Nice Source Properties Limited's owners (the "**Nice Source Owners**"), pursuant to which Earn Rich agreed to acquire from the Nice Source Owners the entire share capital of Nice Source Properties Limited ("**Nice Source**") for a consideration of HK$90,800,000, and it is intended that Earn Rich will be principally engaged in investment holding.

Nice Source was holding the properties located at Workshop C6 on G/F of Block C and Workshop C7 on 1/F of Block C, Hong Kong Industrial Centre, Nos. 489–491 Castle Peak Road, Kowloon with an aggregate gross floor area of approximately 6,086 sq. ft..

The Provisional Agreement was completed on 11 December 2017.

Workshop C7 on 1/F of Block C, Hong Kong Industrial Centre, Nos. 489-491 Castle Peak Road, Kowloon, was disposed in February 2018.

During the reporting period, the Group's properties holding segment contributed a total revenue of approximately RMB4.8 million to the Group, representing an increase of about 1,472.7% over the same period of last year (31 December 2017: RMB304,000) and recorded a segment loss of approximately RMB34.3 million during the reporting period (profit for the year ended 31 December 2017: RMB13.0 million).

An impairment loss on properties for development of approximately RMB20.2 million was provided during the reporting period (31 December 2017: Nil).

The loss in change in fair value of investment properties of approximately RMB16.4 million was recorded during the reporting period (Gain in fair value of investment properties for the year ended 31 December 2017: RMB13.2 million).

FINANCIAL REVIEW

During the reporting period, the turnover of the Group was approximately RMB631.2 million, representing a decrease of about 20.7% over the same period of last year (for the year ended 31 December 2017: RMB795.6 million).

The revenue from personal care products business of the Group was approximately RMB396.1 million, representing a decrease of about 30.6% over the same period of last year (for the year ended 31 December 2017: RMB570.8 million).

The money lending business contributed a total revenue of approximately RMB35.9 million, representing an increase of about 12.9% over the same period of last year (for the year ended 31 December 2017: RMB31.8 million).

The Group's business segment of the operation of online platform contributed a total revenue of approximately RMB11.5 million, representing an decrease of about 45.3% over the same period of last year (for the year ended 31 December 2017: RMB21.1 million).

The Group's business segment of trading of commodities contributed a total revenue of approximately RMB182.9 million, representing an increase of about 6.7% over the same period of last year (for the year ended 31 December 2017: RMB171.4 million).

The Group's business segment of properties holding contributed a total revenue of approximately RMB4.8 million representing an increase of about 1,472.7% over the same period of last year (for the year ended 31 December 2017: RMB304,000).

The Group's did not have other unallocated revenue for the reporting period (for the year ended 31 December 2017: RMB208,000).

Gross Profit/Loss and Gross Profit/Loss Margin

Gross profit of the Group for the reporting year was approximately RMB95.1 million, representing a decrease of about 47.7% as compared with RMB181.8 million for the year ended 31 December 2017.

During the reporting year, the gross profit margin decreased by around 7.7 percentage points over the same period of last year to about 15.1% (for the year ended 31 December 2017: 22.8%). The decrease in overall gross profit margin was primarily due to the lower gross profit margin for the business of personal care products and trading of commodities.

The total gross profit for personal care products was about RMB55.7 million for the reporting year, representing a decrease of about 55.7% as compared with RMB125.7 million of the year ended 31 December 2017. Gross profit margin decreased to about 14.1%, representing a decrease of about 7.9 percentage points compared with the same period of last year. The decrease was mainly due to the Group's personal care segment changes from manufacturing to OEM which resulted in a decrease of the gross profit of personal care products segment.

The gross profit for money lending business for the reporting year was about RMB35.9 million (for the year ended 31 December 2017: RMB31.8 million).

The gross profit for operation of online platform for the reporting year was about RMB10.4 million (for the year ended 31 December 2017: RMB18.7 million).

Gross loss of approximately RMB11.7 million was recorded at the trading of commodities segment for the reporting year (gross profit for the year ended 31 December 2017: RMB5.0 million) and the gross loss margin was about 6.4% (gross profit margin for the year ended 31 December 2017: 2.9%).The gross loss was mainly due to the sale of electronic products and other electronic components.

The gross profit for properties holding for the reporting year was about RMB4.8 million (for the year ended 31 December 2017: RMB304,000).

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. Selling and distribution expenses amounted to approximately RMB66.7 million for the reporting year, representing a decrease of about 70.6% as compared with approximately RMB227.1 million for the year ended 31 December 2017. The selling and distribution expenses accounted for about 10.6% of the revenue during the reporting year (for the year ended 31 December 2017: 28.6%), among which, advertising and promotion expenses, as a percentage of revenue, decreased from 20.3% for the year ended 31 December 2017 to about 4.7% for the year ended 31 December 2018, representing a decrease of about 15.6 percentage points. The transportation expenses and other expenses, as a percentage of revenue, decreased about 4.1 percentage points to about 4.2% for the reporting year as compared with the same period of 2017 (for the year ended 31 December 2017: 8.3%).

The decrease was mainly due to the Group's personal care business changes from manufacturing to OEM which resulted in a decrease in advertising, marketing and promotion expenses and transportation costs.

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, share option expenses and other expenses. Administrative expenses of the Group amounted to approximately RMB134.6 million for the reporting year (for the year ended 31 December 2017: RMB148.5 million), representing an decrease of about 9.4% over the same period of last year. Administrative expenses accounted for about 21.3% of the Group's revenue for the reporting year (for the year ended 31 December 2017: 18.7%). The administrative expenses decreased mainly due to the exchange difference arising from depreciation of Renminbi during the reporting period.

Finance Costs

The Group had finance costs of approximately RMB11.2 million for the reporting year (for the year ended 31 December 2017: RMB3.2 million).

Acquisition of subsidiaries

In the second quarter of 2017, the Group acquired the entire issued share capital of Apex Magic International Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, from an independent third party. The Acquired Group is principally engaged in properties holding. The assets of the Acquired Group mainly consist of the lands and the properties located in Yuen Long, Hong Kong. The consideration of the said acquisition was RMB71,192,000, of which RMB22,115,000 was paid in cash and RMB49,077,000 was paid by consideration shares of the Company.

In the fourth quarter of 2017, the Group acquired the entire issued share capital of Earn Rich, a company incorporated in Hong Kong with limited liability on 28 March 2017 from an independent third party. Since its incorporation, Earn Rich has not carried on any business except for entering into the Provisional Agreement with Nice Source Owners, pursuant to which Earn Rich agreed to acquire from the Nice Source Owners the entire share capital of Nice Source for a consideration of HK$90,800,000, and it is intended that Earn Rich will be principally engaged in investment holding.

Nice Source was holding the properties located at Workshop C6 on G/F of Block C and Workshop C7 on 1/F of Block C, Hong Kong Industrial Centre, Nos. 489–491 Castle Peak Road, Kowloon with an aggregate gross floor area of approximately 6,086 sq. ft..

The Provisional Agreement was completed on 11 December 2017. The consideration of the said acquisition was RMB83,599,000, of which RMB72,512,000 was paid in cash and RMB11,087,000 was paid by promissory notes of the Company.

Disposal of subsidiaries

On 2 November 2018, the Company entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest in a subsidiary, Amazing Gear Limited, for an aggregate cash consideration of HK$9,000,000. Amazing Gear Limited is an investment holding company of which the principal asset is 10% equity interest in an entity which was classified as financial asset at fair value through other comprehensive income.

Following the completion of the abovementioned shares transfer, Amazing Gear Limited ceased to be a subsidiary of the Group and no gain or loss on disposal was recognised by the Group of the abovementioned shares transfer.

On 30 June 2018, Frog Prince (China) Daily Chemicals Co., Limited (青蛙王子(中國)日化有限公司) ("Frog Prince (China)"), a wholly-foreign-owned enterprise established in the PRC with limited liability as vendor, and 絲耐潔(福建)口腔健康科技有限公司 (Snagatr (Fujian) Oral Health Technology Co., Limited) ("**Snagatr**"), as purchaser, entered into a share transfer agreement. Pursuant to the agreement, Snagatr had agreed to acquire 80% equity interest in 福建愛潔麗日化有限公司 (Fujian Azalli Daily Chemicals Limited) ("**Fujian Azalli**") at the consideration of RMB12.0 million. Following the completion of the abovementioned share transfer, the Fujian Azalli ceased to be a subsidiary of the Group and a loss on disposal of RMB9.0 million was recognised by the Group.

On 21 December 2016, Frog Prince (China) and an indirect wholly owned subsidiary of the Company, Fujian Herun, and Shenzhen Qianhai Wosheng Asset Management Centre (Limited Partnership) (深圳前海沃升資產管理中心(有限合夥)) ("Wosheng", a limited partnership formed in the PRC) entered into a capital increase agreement, pursuant to which Wosheng agreed to make a capital contribution of RMB33,000,000 to Fujian Herun. An amount of RMB18,439,000 (being the proportionate share of the carrying amount of the net assets of Fujian Herun) has been transferred to non-controlling interests. The difference of RMB14,561,000 between the increase in the non-controlling interests and the consideration has been credited to retained earnings. Following the completion of the capital increase, the Group's interest in Fujian Herun was diluted from 100% to 75%, resulting in a deemed disposal of 25% equity interest in Fujian Herun by the Group. Upon completion of the capital increase, Fujian Herun remained as a subsidiary of the Company.

In the first half of 2017, Frog Prince (China), as vendor, and Wosheng, as purchaser, entered into a share transfer agreement. Pursuant to the agreement, Wosheng had conditionally agreed to acquire 45% equity interest in Fujian Herun at the consideration of RMB100.0 million. Following the completion of the abovementioned share transfer, the Group's interest in Fujian Herun was reduced from 75% to 30% and a gain on disposal of RMB95.9 million was recognised by the Group in respect of the current year. Fujian Herun ceased to be a subsidiary of the Group and became an associate of the Group.

Net Loss and Net Loss Margin

For the year ended 31 December 2018, loss attributable to equity holders of the Company amounted to approximately RMB431.4 million as compared with loss attributable to equity holders of the Company of RMB170.7 million for the year ended 31 December 2017. The net loss margin was about 68.3% as compared with 21.5% of net loss margin for the year ended 31 December 2017, with basic loss per share of approximately RMB33.8 cents (basic loss per share for the year ended 31 December 2017: RMB15.5 cents).

This is mainly attributable to the facts that revenue of the Group decreased as mentioned above and the recalling fee caused by labelling issue of the personal care products. In additional for the year ended 31 December 2018, the Group made provisions for impairment losses of property, plant and equipment, goodwill and properties for development of RMB170.7 million, RMB31.2 million and RMB20.2 million respectively (for the year ended 31 December 2017: RMB38.5 million, RMB36.3 million and nil respectively). Furthermore, loss on change in fair value of investment properties approximately RMB16.4 million was recorded by the Group during the reporting period (gain on change in fair value of RMB13.2 million for the year ended 31 December 2017).

Capital Expenditure

For the year ended 31 December 2018, the Group's material capital expenditure amounted to approximately RMB11.0 million (for the year ended 31 December 2017: RMB257.3 million), mainly used for renovation of plants, offices, and consolidation work of plants and acquisition of new equipments (for the year ended 31 December 2017: renovation of plants, offices and consolidation work of plant, acquisition of new equipments, investment properties and properties for development).

Financial Resources and Liquidity

As at 31 December 2018, cash and cash equivalents of the Group amounted to approximately RMB218.9 million (31 December 2017: RMB222.7 million). The current ratio was 1.4 (31 December 2017: 1.8). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: firstly, developing money lending business; and secondly, pursuing of the potential opportunity for acquisition and other investment in a timely manner.

Trade and Bills Receivables

As at 31 December 2018, the Group's trade and bills receivables were approximately RMB82.2 million (31 December 2017: approximately RMB113.2 million). The Group usually grants a credit period of 30 to 180 days to our customers. An impairment loss of approximately RMB1.7 million was provided during the reporting period (31 December 2017: Nil).

Loan and Interest Receivables

As at 31 December 2018, the Group's loan and interest receivables were approximately RMB176.1 million (31 December 2017: RMB205.4 million). During the year, the Group had provided loans of approximately RMB95.6 million (2017: RMB348.0 million), with an average annual interest rate of approximately 30.2% (31 December 2017: 15.8%).

An impairment loss on loan and interest receivables of approximately RMB4.7 million was provided during the reporting year (31 December 2017: Nil).

Trade and Bills Payables

As at 31 December 2018, trade and bills payables were approximately RMB70.8 million (31 December 2017: approximately RMB71.5 million). The Group settled its payables within one to six months in general and kept good payment records.

Inventories

As at 31 December 2018, inventories of the Group were approximately RMB102.2 million (31 December 2017: approximately RMB32.0 million). As at 31 December 2018, the inventory balance increased by about 219.8% over the same period of 2017.

A substantial increase in inventories level was mainly due to the sale of electronic products and other electronic components business of the Group.

Gearing Ratio

As at 31 December 2018, current assets of the Group were approximately RMB576.3 million, total assets were approximately RMB1,275.3 million, current liabilities were approximately RMB412.7 million and total liabilities were approximately RMB428.1 million. The gearing ratio (total liabilities/total assets) of the Group was approximately 33.6% (31 December 2017: 24.0%).

Bank and Other Borrowings

As at 31 December 2018,

(i) the Group had bank borrowing of approximately RMB55.0 million (31 December 2017: RMB115.0 million). Facilities were provided to the Group with from banks in PRC with a guarantee from suppliers in the PRC (31 December 2017: pledged bank deposit in the PRC).

(ii) the Group had other secured borrowings of approximately RMB98.8 million (31 December 2017: Nil).

(iii) the Group had other unsecured borrowings of approximately RMB20.0 million (31 December 2017: RMB50.0 million).

Pledge of Assets

As at 31 December 2018,

(i) the Group had pledged deposits of RMB7.4 million (31 December 2017: RMB127.1 million) for short-term bank borrowings and bills payable.

(ii) investment property of RMB83.4 million (31 December 2017: Nil) was pledged for other borrowings.

(iii) certains shares of subsidiaries have been pledged for other borrowing (31 December 2017: Nil).

Capital Structure

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

Risk of Foreign Exchange

The Group has no significant exposure to foreign currency risk because most of the Group's transactions are denominated in Renminbi. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

OUTLOOK

The Group will continue to strengthen, develop and diversify its business portfolio and to further establish a sustainable investment portfolio. New businesses and existing businesses, including money lending business, operation of online platform, trading of commodities, securities investment and properties holding are developing on an on-going basis, and their proportions in the Group's business portfolio may increase.

Given the slowdown of China's economic growth, the Group is prudent to the utilization rate of production capacity of its plants manufacturing personal care products. In response to the above adverse business environment, the Group will improve the responsiveness of the supply chain and enhance its product development capability to avoid further decline in sales revenue.

Looking ahead, the Group will continue to expand its money lending business. The Group will also expand the mortgage business to corporate clients. The Group will invest more financial resources to expand these businesses in the coming year, including possible promotion and marketing through media platform. The Group may consider putting certain marketing efforts to promote our brand through various public media. In view of the uncertain economic outlook, the Group will operate and expand the business in a cautious and risk-balanced manner to maintain a balanced portfolio.

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. The Company 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" or "HKEx") as and when appropriate.

EMPLOYEES AND REMUNERATION

As at 31 December 2018, the Group employed 921 employees (as at 31 December 2017: 999 employees).

In addition to basic salaries, year-end bonuses may be rewarded 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 labour and social welfare laws and regulations, constituent companies of the Group established in Mainland China are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance.

In addition, a share option scheme was adopted by the Company in June 2011 and the limit of the share option scheme was refreshed in June 2017 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.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend to the Shareholders for the year ended 31 December 2018.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group’s audited financial results for the year ended 31 December 2018 and discussed with the management and the auditor of the Company, CCTH CPA Limited, on the accounting principles and practices, financial reporting process, internal control adopted by the Group, with no disagreement by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company maintained a sufficient public float of the issued Shares (i.e. at least 25% of the issued Shares in the public hands) as required under the Listing Rules.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 of the Listing Rules during the year ended 31 December 2018, except for code provision A.2.1. Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The role of the chief executive officer was performed by Mr. Tsai Wallen ("**Mr. Tsai**"), who was also the chairman of the Company. Mr. Tsai has over 30 years of experience in realty and investment business. He is responsible for managing the overall operations of the Group and planning the business development and strategies.

The Directors consider that vesting the role of the chairman of the Board and the chief executive officer in the same individual is beneficial to the management and business development of the Group. The balance of power and authority is ensured by the operations of the Board and the senior management, which comprise experienced and high calibre individuals.

Subsequently on 12 December 2018, the Company appointed Mr. Chau Ling, as an executive director and the chief executive officer of the Company and Mr. Tsai resigned as the chief executive officer on the same day.

The Company has duly complied with the code provision A.2.1 since 12 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. In response to the specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the period during the reporting period. No incident of non-compliance in this regard was noted by the Company for the said period.

EVENTS AFTER THE REPORTING PERIOD

(i) On 1 March 2019, the Company, as purchaser, entered into a sale and purchase agreement. Pursuant to which the Company has conditionally agreed to acquire the sale shares, representing 80% of the entire issued share capital of Real Power International Group Limited at a consideration of HK$42,000,000 (subject to adjustment).

The consideration shall be satisfied, as to (i) HK$2,000,000 in cash upon the entering into of the sale and purchase agreement as deposit; (ii) HK$20,000,000 in cash upon completion; and (iii) HK$20,000,000 by the allotment and issue of the consideration shares by the Company to Pine Victory Trading Limited, the vendor, upon completion.

The completion of the disposal is conditional upon satisfaction of the certain conditions precedent, including the passing by the shareholders of the Company at an extraordinary general meeting to be convened and held of an ordinary resolution to approve the sale and purchase agreement, the issue of the consideration shares and the transactions contemplated thereunder.

Details of the acquisition are set out in the Company's announcement dated 1 March 2019.

(ii) On 8 March 2019, the Board proposed to change the English name of the Company from "China Child Care Corporation Limited" to "Future Development Holdings Limited" and the dual foreign name in Chinese of the Company from "中國兒童護理有限公司" to "未來發展控股有限公司". The stock short name of the Company will also be changed accordingly.

The proposed change of Company name is conditional upon satisfaction of the certain conditions precedent, including the passing by the shareholders of the Company at an extraordinary general meeting to be convened and held of a special resolution to approve the proposed change of company name and the registrar of Companies in the Cayman Islands approving the proposed change of company name.

Details of the change of company name are set out in the Company's announcement dated 8 March 2019.

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018 as set out in the announcement have been agreed by the Group's auditor, CCTH CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.princefrog.com.cn) and the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The Company's annual report for the year ended 31 December 2018, containing all the information required by the Listing Rules, will be despatched to the Shareholders and available on the above websites in due course.

By Order of the Board
China Child Care Corporation Limited
Tsai Wallen
Chairman and Executive Director

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises (i) two executive directors, namely Mr. Tsai Wallen and Mr. Chau Ling; (ii) one non-executive director, namely Mr. Li Zhouxin; and (iii) three independent non-executive directors, namely Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen and Ms. Bu Yanan