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 2016

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2016:

Revenue increased by about 9.4% from approximately RMB913.7 million of the same period in 2015 to approximately RMB999.5 million

Gross profit decreased by about 1.0% over the same period in 2015 to approximately RMB355.4 million

Gross profit margin decreased by around 3.7 percentage points over the same period in 2015 to approximately 35.6%

Loss attributable to equity holders of the Company for the year amounted to approximately RMB111.2 million, as compared with loss attributable to equity holders of the Company amounted to RMB50.3 million over the same period in 2015

Basic loss per share attributable to equity holders of the Company was RMB11.0 cents, basic loss per share attributable to equity holders of the Company was RMB5.0 cents over the same period in 2015

The board of directors (the "**Board**") 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 2016, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*4*	**999,544**	913,716
Cost of sales		**(644,101)**	(554,557)
Gross profit		**355,443**	359,159
Other income and gains	*5*	**8,501**	27,156
Selling and distribution expenses		**(329,495)**	(320,375)
Administrative expenses		**(99,736)**	(95,022)
Impairment loss of goodwill		**(22,000)**	(17,500)
Loss on change in fair value of investment property		**(7,300)**	–
Other expenses		**(10,820)**	(2,672)
Finance costs	*6*	**(596)**	(6)
Loss before tax	*7*	**(106,003)**	(49,260)
Income tax expense	*8*	**(3,473)**	(556)
Loss for the year		**(109,476)**	(49,816)
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(111,189)**	(50,309)
Non-controlling interests		**1,713**	493
Loss for the year		**(109,476)**	(49,816)

	Notes	**2016**	2015
		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		**1,482**	22
Items that may not be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation		**–**	9,543
Income tax effect		**–**	(2,386)
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods		**–**	7,157
Other comprehensive income for the year, net of tax		**1,482**	7,179
Total comprehensive expense for the year		**(107,994)**	(42,637)
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		**(109,800)**	(43,130)
Non-controlling interests		**1,806**	493
		(107,994)	(42,637)
Loss per share attributable to equity holders of the Company	*10*		
Basic		**RMB(11.0) cents**	RMB(5.0)cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**452,109**	477,281
Investment properties		**23,000**	30,300
Prepaid land lease payments		**13,969**	14,292
Goodwill		**99,614**	18,357
Intangible assets		**593**	183
Loan and interest receivables	*11*	**7,329**	–
Prepayments and deposits		**2,864**	3,179
		599,478	543,592
CURRENT ASSETS			
Inventories		**30,852**	27,011
Loan and interest receivables	*11*	**118,012**	–
Trade and bills receivables	*12*	**134,058**	41,205
Prepayment, deposits and other receivables		**42,590**	13,603
Available-for-sale investments		**15,300**	2,008
Amount due from a related company		**7,418**	5,903
Tax recoverable		**–**	155
Pledged bank deposits		**124,866**	4,498
Cash and cash equivalents		**614,462**	968,757
		1,087,558	1,063,140
CURRENT LIABILITIES			
Trade and bills payables	*13*	**93,695**	84,882
Other payables and accruals		**102,386**	32,488
Interest-bearing bank borrowing		**110,919**	50,000
Amount due to a director		**399**	–
Derivative financial liability		**1,826**	–
Tax payable		**9,710**	6,603
		318,935	173,973
NET CURRENT ASSETS		**768,623**	889,167
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,368,101**	1,432,759
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**17,923**	17,923
Net assets		**1,350,178**	1,414,836

	Notes	**2016** *RMB'000*	2015 *RMB'000*
EQUITY			
Share capital		**8,386**	8,386
Reserves		**1,316,602**	1,402,228
Equity attributable to equity holders of the Company		**1,324,988**	1,410,614
Non-controlling interests		**25,190**	4,222
Total equity		**1,350,178**	1,414,836

NOTES

1. CORPORATE 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 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, trading of commodities, money lending, operation of an online platform and investment holding.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value.

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 14	Regulatory Deferred Accounts
Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint Operations
Annual improvements to IFRSs	Annual improvements to IFRSs 2012-2014 Cycles
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Classification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Combination Exception

The application of the above amendments to IFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised IFRSs not yet effective

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[2]
IFRS 9	Financial Instruments[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRS 15	Revenue from Contracts with Customers[2]
Amendment to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[2]
Amendments to IAS 40	Transfers of Investment Property[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[2]
IFRS 16	Leases[3]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 12[1]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1[2]
Annual Improvements 2014-2016 Cycle	Amendments to IAS 28[2]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

3. OPERATING SEGMENT INFORMATION

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

(a) Children's personal care products – manufacture and sale of Frog Prince branded skin care, body and hair care, oral care and diaper and tissue products

(b) Adults' personal care products – manufacture and sales of Frog Prince branded oral care products

(c) Other products segment – manufacture of skin care products, body and hair care products for branding and resale by others

(d) Trading of commodities

(e) Provision of money lending services

(f) Operation of an online platform

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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income derived from banks, other unallocated income and gains, finance costs as well as corporate and unallocated expenses are excluded from such measurement.

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets exclude investment properties, unallocated prepayments, deposits and other receivables, 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 borrowing, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

	Children's personal care products *RMB'000*	Adults' personal care products *RMB'000*	Other products *RMB'000*	Trading of commodities *RMB'000*	Money lending *RMB'000*	Operation of an online platform *RMB'000*	Total *RMB'000*
Year ended 31 December 2016							
Segment revenue	536,441	21,315	157,308	275,593	4,091	4,796	999,544
Segment results	(82,616)	(3,614)	(219)	10,550	2,226	4,584	(69,089)
Interest income derived from banks							2,862
Other unallocated income and gains							2,992
Corporate and other unallocated expenses							(12,872)
Finance costs							(596)
Impairment loss of goodwill	(2,000)					(20,000)	(22,000)
Loss on change in fair value of investment property							(7,300)
Loss before tax							(106,003)
Segment assets	530,362	18,117	128,940	–	125,788	89,663	892,870
Corporate and other unallocated assets							794,166
Total assets							1,687,036
Segment liabilities	164,139	5,685	5,936	1,741	817	84	178,402
Corporate and other unallocated liabilities							158,456
Total liabilities							336,858
Other segment information:							
Depreciation and amortisation*	24,594	873	6,887	–	–	–	32,354
Capital expenditure**	5,675	191	1,565	–	–	–	7,431

3. OPERATING SEGMENT INFORMATION *(continued)*

	Children's personal care products *RMB'000* (restated)	Adults' personal care products *RMB'000* (restated)	Other products *RMB'000* (restated)	Trading of commodities *RMB'000* (restated)	Money lending *RMB'000* (restated)	Operation of an online platform *RMB'000* (restated)	Total *RMB'000* (restated)
Year ended 31 December 2015							
Segment revenue	770,538	32,262	110,916	–	–	–	913,716
Segment results	(59,501)	(3,180)	22,142	–	–	–	(40,539)
Interest income derived from banks							14,702
Other unallocated income and gains							3,635
Corporate and other unallocated expenses							(13,302)
Finance costs							(6)
Impairment loss of goodwill	(17,500)						(17,500)
Gain on change in fair value of investment properties							3,750
Loss before tax							(49,260)
Segment assets	516,580	20,437	63,746	–	–	–	600,763
Corporate and other unallocated assets							1,005,969
Total assets							1,606,732
Segment liabilities	104,703	4,361	2,607	–	–	–	111,671
Corporate and other unallocated liabilities							80,225
Total liabilities							191,896
Other segment information:							
Depreciation and amortisation*	27,296	1,203	3,766	–	–	–	32,265
Capital expenditure**	20,015	882	2,762	–	–	–	23,659

Segment revenue reported above represents revenue generated form external customers. There were not inter-segment sale in the current year (2015: 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.

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

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

	2016	2015
	RMB'000	*RMB'000*
PRC (excluding Hong Kong)	**580,922**	819,557
Hong Kong	**8,887**	–
Indonesia	**275,593**	–
Overseas (excluding Indonesia)	**134,142**	94,159
	999,544	913,716

Information about major customers

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

		2016	2015
	Revenue generated from	***RMB'000***	*RMB'000*
Customer A	Trading of commodities	**275,593**	N/A

No customer individually contributed revenue over 10% of the total revenue for the year ended 31 December 2015.

4. REVENUE

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

	2016	2015
	RMB'000	*RMB'000*
Revenue from sales of goods	**990,657**	913,716
Interest income from money lending business	**4,091**	–
Income from operation of an online platform	**4,796**	–
	999,544	913,716

5. OTHER INCOME AND GAINS

	2016	2015
	RMB'000	*RMB'000*
Interest from bank deposits	**2,862**	14,702
Income derived from available-for-sale investments	**926**	2,049
Gain on change in fair value of investment properties	**–**	3,750
Government subsidies*	**2,011**	4,263
Rental income from lease of investment properties	**2,066**	1,586
Sundry income	**636**	806
	8,501	27,156

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

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank borrowings	**596**	6

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold *(note a below)*	**644,101**	554,557
Depreciation *(note a below)*	**11,697**	13,556
Amortisation of prepaid land lease payments	**339**	355
Amortisation of intangible assets	**132**	1,440
Minimum lease payments under operating leases on land and buildings	**773**	2,249
Loss on disposal of property, plant and equipment included in administrative expenses	**372**	526
Loss on disposal of intangible asset included in administrative expenses	**13**	–
Employee benefit expenses (including directors' remuneration *(note a below)*:		
Wages and salaries	**54,693**	41,483
Equity-settled share option expense	**9,613**	8,187
Retirement benefit scheme contributions	**7,855**	4,656
Total staff costs	**72,161**	54,326
Auditors' remuneration	**1,800**	2,801
Research and development costs included in administrative expenses *(note b below)*	**7,985**	11,225
Direct operating expenses arising from investment properties	**–**	94
Impairment loss of trade receivables	**4,776**	–
Trade receivables written off	**3,174**	–
Inventories written off	**595**	–
Loss on change in fair value of derivative financial instruments	**5,203**	–
Net foreign exchange gain, excluding net fair value gains on foreign exchange derivative financial instruments	**(6,376)**	(2,503)

Notes

(a) In addition to the amounts disclosed above, the depreciation and employee benefits expenses of RMB20,186,000 (2015: RMB16,914,000) and RMB35,997,000 (2015: RMB31,345,000) respectively are included in the cost of inventories sold amounted to RMB644,101,000 (2015: RMB554,557,000) shown above.

(b) The research and development costs for the year include an amount of RMB3,295,000 (2015: RMB4,100,000) 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.

8. INCOME TAX EXPENSE

	2016 *RMB'000*	2015 *RMB'000*
Hong Kong Profits Tax	**2,923**	–
PRC Enterprise Income Tax	**550**	1,195
	3,473	1,195
Overprovision in prior years	**–**	(1,576)
	3,473	(381)
Deferred tax	**–**	937
Total income tax recognised in profit or loss	**3,473**	556

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC subsidiaries, except for 青蛙王子（中國）日化有限公司 ("**Frog Prince (China)**"), are subject to PRC Enterprise Income Tax at 25% for both years.

Pursuant to the High-New Technology Enterprise certificate granted by the local authority in the PRC, which was obtained by the Group in April 2014, a subsidiary, Frog Prince (China), was taxed at a preferential tax rate of 15% for a period of three years commencing from the year ended 31 December 2013. During the year, Frog Prince (China) was granted tax preferential rate of 15% in respect of PRC Enterprise Income Tax for an additional three years commencing from the year ended 31 December 2016.

9. DIVIDENDS

	2016 *RMB'000*	2015 *RMB'000*
2014 final dividend of HK5.0 cents per share paid	**–**	39,887

The directors of the Company do not recommend any payment of a dividend for the year ended 31 December 2016 (2015: Nil).

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

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

	2016	2015
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	**(111,189)**	(50,309)
Loss for the purpose of diluted loss per share	**N/A**	N/A

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,010,491**	1,010,491
Weighted average number of ordinary shares for the purposes of diluted loss per share	**N/A**	N/A

As the Group sustained a loss for both of the years presented, diluted loss per share for these years are not presented as the effects of potential shares issuable arising from exercise of share options are regarded anti-dilutive.

11. LOAN AND INTEREST RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Loans and interests thereon receivable		
– within one year	**118,012**	–
– in the second to fifth years	**7,329**	–
	125,341	–
		–
Analysed for reporting as:		
Non-current asset	**7,329**	–
Current asset	**118,012**	–
	125,341	–

12. TRADE AND BILL RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade and bill receivables	**138,834**	41,205
Less: allowance for doubtful debts	**(4,776)**	–
	134,058	41,205

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.

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:

	2016	2015
	RMB'000	*RMB'000*
Within 30 days	**78,059**	21,519
31 to 60 days	**29,899**	4,745
61 to 90 days	**15,122**	7,155
Over 90 days	**10,978**	7,786
	134,058	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 invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**23,458**	30,258
1 to 3 months	**44,630**	38,872
Over 3 months	**25,607**	15,752
	93,695	84,882

The trade payables are non-interest-bearing and are normally settled on terms of one to six months (2015: one to six months).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Personal Care Products

During the reporting period, the revenue from children's personal care products of the Group was approximately RMB536.4 million, representing a decrease of about 30.4% over the same period of last year (31 December 2015: RMB770.5 million). The decrease was primarily due to continuous effect from slowing growth of economy of China and the shift of spending habit of the consumers to e-commerce. The revenue from adults' personal care products and other products including OEM products was approximately RMB178.6 million, representing an increase of about 24.7% over the same period of last year (31 December 2015: RMB143.2 million). The personal care products business recorded loss of approximately RMB86.4 million during the year.

The Release of "China Children's Care Bluebook"

In the first half of 2016, the Group gathered experts in children's education, psychology, safety, 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 to promote basic knowledge for caring children above three years old to the society from three aspects: children's psychological health, safety education and physical development.

After "China Children's Care Bluebook" was released with great fanfare in Shanghai Beauty Expo in May 2016, this bluebook was also distributed for public welfare through China Women's Development Foundation (中國婦女發展基金會). In December 2016, the Group transformed the essential contents in "China Children's Care Bluebook" into paintings, making it an educational book suitable for children. The series of painting book for children of "Growth Record of Prince Frog" have five episodes in total, which were created based on the cartoon images of Prince Frog and its little partners, to display the growth knowledge for children in the form of fable stories. The Group is of the view that the release of "China Children's Care Bluebook" shall bring practical and scientific childcare knowledge to large groups of first-time mothers in China and further improve popularity and reputation of the Group's brand.

Prince Frog Kindergarten Care Stations

Starting from July 2016, the Group set up kindergarten care stations, in the name of "Prince Frog", in 200 kindergartens in four cities, i.e. Nanjing, Wuhan, Zhengzhou and Chengdu. By providing the Company's products to children in kindergartens for trial use, the Group promoted knowledge of washing, care and oral cavity to the children in kindergartens, making the image of Prince Frog accompanying the children deeply rooted among people, and therefore affected the consuming preference of users and real purchasers to a certain extent. At the same time, the Group promoted the information of the brand of Prince Frog to parents and their children in 200 kindergartens in the form of distributing posters in kindergartens, to further improve the awareness for brand among consumers.

Operating of "Prince Frog Children Centres"

Starting from 2016, the Group constantly developed "Prince Frog Childcare Centres" in key stores and supermarkets in various provinces and cities across the country. In addition to setting up an exclusive shelf area for displaying a full range of Prince Frog products, the Group also provided children's play areas including entertainment facilities, such as slides and beach ball pools, with a view to establishing a professional brand image for Prince Frog Childcare. Throughout 2016, the Group set up 9 stores of "Prince Frog Children Centres" in a total of 9 cities across the country, and in 2017, the Group will also promote to other key supermarkets and stores across the country 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 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); the Group held more than 130 large-scale promotional activities in nearly 70 cities of key provinces across the country under the theme of "Happy Back-to-School Season, Sharing Moisture with Fun" (快樂升學季，滋潤趣分享) in August and September 2016; and held nearly 170 large-scale promotional activities in more than 60 cities across the country during Christmas holiday in 2016 under the theme of "Magic Christmas, Sharing Fun with Moisture" (魔幻聖誕，趣享加倍潤) 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, social network platform and China Railway High-speed media.

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 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), with product packaging designed in combination with "Augmented Reality" games to achieve communication and interaction with consumers on product packaging; 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", to help parents solving any issues of children arising from brushing teeth, and making children enjoy brushing teeth and professional care for teeth in order to care for children's healthy and happy growth.

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 2016.

In 2016, the Group was awarded the title of "Provincial-level Enterprise Technology Centre" by seven authorities, including 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. The Group was also awarded the titles of "Leading Quality 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).

Continuous Investment in Research & Development ("R&D")

In 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 enhancing 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, PRC 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 our personal care products.

Frog Prince (China) Daily Chemicals Co., Ltd., a wholly-owned subsidiary of the Company, was granted the High-New Technology Enterprise Certificate and also submitted applications for patents (as of 31 December 2016, the Group possessed or was authorized for 49 patents, of which 1 patent was in the process of registration and applications for 14 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) was 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, Jiangsu Province, care and love from Prince Frog for the children in affected areas were sent out in the first instance.

In September 2016, to meet the 28th "9•20 National Day for Loving and Caring Teeth", Frog Prince (China) Daily Chemicals Co., Ltd. carried out a series of activities of loving and caring teeth, which not only invited children into the Oral Health Education Base of Fujian Dental Disease Prevention and Control Center (福建牙病防治中心口腔健康教育基地) in Prince Frog Industrial Park to participate in the experiential activity of "Little Classroom for Loving Teeth" (愛牙小課堂), but also organized large-scale oral cavity free diagnosis activities in Zhongshan Park in Zhangzhou together with Culture, Education, Health & Sports Committee of Municipal Consultative Conference (市政協文教衛體委), the Health and Family Commission (市衛生計生委) and relevant oral cavity departments.

In December 2016, Prince Frog walked into 6 primary schools in Guizhou Province together with China Association of Fragrance Flavour and Cosmetics Industries (中國香料香精化妝品工協會) and tens of representatives from flavour and cosmetics industries, and carried out "Walking into Guizhou – Loving Bag Donation Activity by Flavour and Cosmetics Industries in China" (走進貴州——中國香化行業愛心書包捐贈活動), which donated stationery and daily supplies including bags, school uniforms, moisturisers and lip balms.

In 2016, the Group conducted 13 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.

Operation of an Online Platform

In the fourth quarter of 2016, the Group commenced the operation of an online platform focusing on the children, babies and parents (the "**CBP**") markets through acquisition of the 51% of the issued shares of Marvel Paramount Holdings Limited, including the provision of marketing, marketing consulting and promotional service, e-commerce business and retail of CBP's products.

The subsidiary operates an online CBP information platform at MyBB.com.hk ("**MYBB**") and mobile app namely MyBB APP which offer forum, blog and updated information in relation to CBP to parents, pregnant women and women preparing for pregnancy. MYBB also operates one retail store in Hong Kong and online stores for sales of CBP's products for members in Hong Kong, PRC and Australia. MYBB also engages in organising CBP-related marketing and promotional activities, playgroups and talks in Hong Kong.

During the year, the operation of online platform contributed a total revenue of approximately RMB4.8 million for the Group, and recorded a profit of approximately RMB4.6 million. The Board believes that this business can create synergy to existing businesses of the Group, including the promotion of "Frog Prince" and other PRC CBP brands in Hong Kong market through MYBB, the promotion of MYBB CBP information platform in PRC market through "Frog Prince", and the integration of online to offline operation thus broaden the Group's revenue streams.

Money Lending Business

The Group commenced its money lending business in the fourth quarter of 2016, and the target customers of the Group were those who seek for loans of significant amount and are able to provide guarantees for relevant loans. During the year, the Group had provided loans of approximately RMB116.1 million, with an average annual interest rate of approximately 30%. All the loans granted by the Group were secured by mortgages, charge on shares or charge on assets. The money lending business recorded a positive profit of approximately RMB2.2 million during the year.

On 1 November 2016, the Group (i) entered into loan agreement A with customer A and customer B; and (ii) entered into loan agreement B with customer A, customer B and customer C respectively. Pursuant to loan agreement A and loan agreement B, the Company agreed to grant the loans with principal amounts of approximately HK$12.4 million and HK$8.6 million respectively and a term of 12 months from the drawdown date of the loans. The loans bearing interest at a rate of 24% per annum respectively.

The loans are secured by first legal mortgage in respect of a resident property and a car parking space located in Causeway Bay and second mortgage in respect of a residential property located in North Point respectively. Prior to entering into loan agreement A and loan agreement B, there is one loan granted by the Group to customer A and customer B collectively under the other existing loan agreement for the principal amount of approximately HK$29.2 million for a term of 12 months.

Details of the loan and the provision of financial assistance are set out in the Company's announcement dated 1 November 2016.

Trading of Commodities

The Group's business segment of trading of commodities was put into operation in the fourth quarter of 2016. A total of 54,562 metric tons of crude palm oil was traded during the year, contributing a total revenue of approximately RMB275.6 million to the Group. The operation of trading of commodities recorded a positive profit of approximately RMB8.8 million.

The Board believes that commencing the operation of trading of commodities by the Group is able to expand the business network of the Group in the field of commodities trading, and therefore is of great importance. The Group will negotiate with suppliers and customers in order to achieve more favourable trading terms in future trades.

FINANCIAL REVIEW

For the year ended 31 December 2016, the turnover of the Group was approximately RMB999.5 million, representing an increase of about 9.4% as compared with RMB913.7 million for the year ended 31 December 2015.

During the reporting period, the revenue from children's personal care products of the Group was approximately RMB536.4 million, representing a decrease of about 30.4% over the same period of last year (for the year ended 31 December 2015: RMB770.5 million).

The revenue from adults' personal care products and other products including OEM products was approximately RMB178.6 million, representing an increase of about 24.7% over the same period of last year (for the year ended 31 December 2015: RMB143.2 million).

During the year, the operation of an online platform contributed a total revenue of RMB4.8 million for the Group.

During the year, the money lending business contributed a total revenue of RMB4.1 million for the Group.

The Group's business segment of trading of commodities contributed a total revenue of approximately RMB275.6 million to the Group.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2016 was approximately RMB355.4 million, representing a drop of about 1.0% as compared with RMB359.2 million for the year ended 31 December 2015. During the reporting period, the gross profit margin decreased by around 3.7 percentage points over the same period of last year to about 35.6% (for the year ended 31 December 2015: 39.3%). The decrease in gross profit margin was primarily due to a decease in overall gross profit margin of the Group resulted from lower gross profit margin for the business of trading of commodities.

The total gross profit for childrens' and adults' personal care products and other products including OEM products was about RMB335.9 million for the year ended 31 December 2016, representing a decrease of about 6.5% as compared with RMB359.2 million of the year ended 31 December 2015. Gross profit margin increased to about 47.0%, representing an increase of around 7.7 percentage points compared with same period of last year. The increase was mainly due to the decreased discount provided to distributors by the Group in 2016.

The gross profit for operation of an online platform for the year ended 31 December 2016 was about RMB4.8 million.

The gross profit for money lending business for the year ended 31 December 2016 was about RMB4.1 million.

The gross profit for trading of commodities for the year ended 31 December 2016 was about RMB10.6 million and the gross profit margin was about 3.8%.

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 RMB329.5 million for the year ended 31 December 2016, representing an increase of about 2.8% as compared with RMB320.4 million for the year ended 31 December 2015. The selling and distribution expenses accounted for about 33.0% of the revenue during the reporting period (for the year ended 31 December 2015: 35.1%), among which, advertising and promotion expenses, as a percentage of revenue, decreased from 25.8% for the year ended 31 December 2015 to about 23.4% for the year ended 31 December 2016, a decrease of around 2.4 percentage points. The transportation expenses and other expenses, as a percentage of revenue, increased around 0.3 percentage point to about 9.6% for the year ended 31 December 2016 as compared with the same period of 2015 (for the year ended 31 December 2015: 9.3%).

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 RMB99.7 million for the year ended 31 December 2016 (for the year ended 31 December 2015: RMB95.0 million), representing an increase of about 4.9%. The administrative expenses increased mainly due to the raise of salary of administrative personnel of the Group, depreciation expenses and share options expenses during the reporting period. Administrative expenses accounted for about 10.0% of the Group's revenue for the year ended 31 December 2016 (for the year ended 31 December 2015: 10.4%).

Finance Costs

The Group had finance costs of approximately RMB596,000 for the year ended 31 December 2016 (for the year ended 31 December 2015: RMB6,000).

Business Combination

In the fourth quarter of 2016, the Group acquired 51% of equity interests in Marvel Paramount Holdings Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, from an independent third party.

Marvel Paramount Holdings Limited and its subsidiary (the "**Acquired Group**") are primarily engaged in the operation of an online platform focusing on the CBP markets, including the provision of marketing, marketing consulting and promotional service, e-commerce business and retail of CBP's products. The subsidiary operates an online CBP information platform at MYBB and mobile app namely MyBB APP which offer forum, blog and updated information in relation to CBP to parents, pregnant women and women preparing for pregnancy. MYBB also operates one retail store in Hong Kong and online stores for sales of CBP products for members in Hong Kong, PRC and Australia. MYBB also engages in organising CBP-related marketing and promotional activities, playgroups and talks in Hong Kong.

The consideration of the said acquisition was RMB104,010,000, which was payable in cash and subject to downward adjustment. The total identifiable net assets acquired less non-controlling interests amounted to RMB753,000. Accordingly, goodwill of RMB103,257,000 was resulted at the date of acquisition.

Pursuant to the relevant acquisition agreement, the vendor guarantees to the Company that the net profit after tax of the Acquired Group (based on its audited financial statements) for each of the two financial years ending 31 March 2017 and 31 March 2018 (the "**Accumulated Guaranteed Profit**") shall be not less than HK$8,000,000 and HK$16,000,000 respectively.

An impairment loss of goodwill of RMB20,000,000 was made during the year ended 31 December 2016 (for the year ended 31 December 2015: Nil)

On 30 April 2015, the Group acquired 80% equity interests in Fujian Azalli Daily Chemicals Ltd. (福建愛潔麗日化有限公司) (the "**Acquired Company**"), a company established in the PRC and a former supplier of the Group, from an independent third party. The principal activity of the Acquired Company is manufacture of toothpaste products. Such acquisition was for expanding the oral care product line under children's personal care products category of the Group. The consideration for the 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.

Due to the deteriorating operating performance of the toothpaste business, which was included in children's personal care products segment, an impairment loss of goodwill of RMB2,000,000 was made during the year ended 31 December 2016 (for the year ended 31 December 2015: impairment loss of goodwill of RMB17,500,000).

DISPOSAL

On 21 December 2016, Frog Prince (China) Daily Chemicals Co. Ltd. (青蛙王子（中國）日化有限公司), a wholly-foreign-owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, Fujian Herun Supply Chain Management Co., Ltd. (福建和潤供應鏈管理有限公司) ("**Fujian Herun**"), a company established in the PRC with limited liability, and the subscriber entered into a capital increase agreement, pursuant to which the subscriber 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 remains as a subsidiary of the Company, and its financial results and position continue to be consolidated into the consolidated financial statements of the Company.

The capital contribution to be made by the subscriber under the capital increase agreement will be utilised by Fujian Herun for the development of the distributorship network for its products in the PRC. The capital increase, apart from providing an immediate funding and increasing the liquidity of Fujian Herun in developing its distributorship sales business, also introduces the subscriber as a strategic shareholder of Fujian Herun, for its expertise in the investment of supply chain management related businesses, rich resources and relationship network in the field of consumer goods and extensive experience in optimising sales network. The Company believes that the capital increase, by introducing new funding and the subscriber as a strategic shareholder of Fujian Herun, would assist Fujian Herun in developing and strengthening its distributorship sales business by leveraging on the financial strengths and extensive business networks of the subscriber.

Net Loss and Net Loss Margin

For the year ended 31 December 2016, loss attributable to equity holders of the Company amounted to approximately RMB111.2 million as compared with loss attributable to equity holders of the Company of RMB50.3 million for the year ended 31 December 2015. The net loss margin was about 11.0% as compared with 5.5% of net loss margin for the year ended 31 December 2015, with basic loss per share of approximately RMB11.0 cents (basic loss per share for the year ended 31 December 2015: RMB5.0 cents). This is mainly attributable to the facts that revenue of the Group decreased as mentioned above but the investments in brand building, promotion and the fixed expenses of the Company remained. Furthermore, for the year ended 31 December 2016, the Group made provisions for impairment of goodwill and loss on change on fair value of investment properties of RMB22.0 million and RMB7.3 million respectively (for the year ended 31 December 2015: RMB17.5 million and nil, respectively). In addition, the Group made an allowance for doubtful debts for trade and bills receivables of RMB4.8 million (2015: Nil).

Capital Expenditure

For the year ended 31 December 2016, the Group's material capital expenditure amounted to approximately RMB7.4 million (for the year ended 31 December 2015: RMB23.7 million), mainly used for renovation of our plants, consolidation work of our plants and acquisition of new equipments.

Financial Resources and Liquidity

As at 31 December 2016, cash and cash equivalents of the Group amounted to approximately RMB614.5 million (31 December 2015: RMB968.8 million). The current ratio was 3.4 (31 December 2015: 6.1). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: firstly, strengthening the marketing and promotion for brand and products; secondly, developing money lending business; and thirdly, pursuing of the potential opportunity for acquisition and other investment in a timely manner.

Trade and Bills Receivables

During the reporting period, the Group's trade and bills receivables were approximately RMB134.1 million (31 December 2015: approximately RMB41.2 million). The Group usually grants a credit period of 30 to 60 days to our customers. The increase in trade and bills receivables for the period was mainly due to substantial increase in sales volume of its children's personal care products in December 2016 comparing with that of the same period of 2015. For the year ended 31 December 2016, the Group made an allowance for doubtful debt of approximately RMB4.8 million (2015: Nil).

Loan and Interest Receivable

During the reporting period, the Group's loan and interest receivables were approximately RMB125.3 million (31 December 2015: Nil). During the year, the Group had provided loans of approximately RMB116.1 million, with an average annual interest rate of approximately 30%. All the loans granted by the Group were secured by mortgages, charge on shares or charge on assets.

Trade and Bills Payables

During the reporting period, trade and bills payables were approximately RMB93.7 million (31 December 2015: approximately RMB84.9 million). The increase in trade and bills payables was mainly because the Group strengthened its bargaining power by conducting bulk procurements with the suppliers, and therefore the relevant payment terms in contracts became more favorable. The Group settled its payables within one to six months in general and kept good payment records.

Inventories

During the reporting period, inventories of the Group were approximately RMB30.9 million (31 December 2015: approximately RMB27.0 million. The increase in inventories, as compared with the same period of 2015, was mainly because the Group increased its inventory level due to substantial increase in sales volume of its children's personal care products in December 2016 comparing with that of the same period of 2015. As at 31 December 2016, the inventory balance increased by about 14.2% over the same period of 2015.

Gearing Ratio

As at 31 December 2016, current assets of the Group were approximately RMB1,087.6 million, total assets were approximately RMB1,687.0 million, current liabilities were approximately RMB318.9 million and total liabilities were approximately RMB336.9 million. The gearing ratio (total liabilities/ total assets) of the Group was approximately 20.0% (31 December 2015: 11.9%).

Bank Borrowing

As at 31 December 2016, the Group had bank borrowing of RMB110.9 million (31 December 2015: RMB50.0 million). Facilities were made by the Group with banks for Hong Kong borrowings with a pledged bank deposit in the PRC.

Pledge of Assets

As at 31 December 2016, the Group had pledged deposits of RMB124.9 million (31 December 2015: RMB4.5 million) for short-term borrowings and bills payable.

Capital Structure

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

Risk of Foreign Exchange

As at 31 December 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 the risk of foreign exchange fluctuations.

Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liability. As at 31 December 2015, 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 31 December 2015, the Group pledged deposits of RMB2,000,000 placed with the bank for this banking facility arrangement, and executed guarantees of a total of approximately RMB36,110,000 to the bank in connection with the amounts advanced to these customers by the bank, of which approximately RMB6,701,000 was utilised as at 31 December 2015.

OUTLOOK

The Group will continue to strengthen, develop and diversify its business portfolio and to further establish a sustainable investment portfolio. Personal care products business is still the core of the Group's business portfolio. New businesses and existing business, including money lending business, operation of an online platform and trading of commodities 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, 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 review the current investment on and the return from its "Prince Frog" brand to avoid the continuous loss of personal care products business.

Looking ahead, the Group expects that the money lending business will record a high growth. The Group will invest more financial resources to expand this business 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 the coming year, we will expand the business into the personal loan market. In view of the uncertain economy outlook, the Group will operate and expand the business in a cautious and risk-balanced manner to maintain a balanced portfolio. The Group will also expand the mortgage business to corporate clients.

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, and as appropriate. The Company will make an announcement according to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as and when appropriate.

EMPLOYEES AND REMUNERATION

As at 31 December 2016, the Group employed 1,254 employees (as at 31 December 2015: 1,154 employees).

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 Company 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 facilitate 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 held 228 courses, which covered fields like corporate strategy and culture, industry overview, professional knowledge, etc., in 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 year ended 31 December 2016.

FINAL DIVIDEND

The directors of the Company do not recommend the payment of any dividend to shareholders of the Company for the year ended 31 December 2016.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's three independent non-executive directors, has reviewed the consolidated financial statements of the Group for the year ended 31 December 2016, and has reviewed accounting principles and practices adopted by the Group, and discussed financial reporting matters with the auditor of the Company.

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 year ended 31 December 2016, 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**") had been holding the positions of Chairman and Chief Executive Officer of the Company before 23 September 2016. He has over 23 years of experience in personal care products industry. The Board believed that vesting the roles of both Chairman and Chief Executive Officer in Mr. Li provided the Company with strong and consistent leadership and allowed for effective and efficient planning and implementation of business strategies and decisions. The Board also considers that the above-mentioned structure of vesting the roles of Chairman and Chief Executive in the same person did not impair the balance of power and responsibility of the Board and the management of the Company. On 23 September 2016, Mr. Li resigned as the Chairman and Chief Executive Officer of the Company. Subsequently on 28 November 2016, Mr. Tsai Wallen, an executive director of the Company, was appointed as the Chairman of the Company.

SUBSEQUENT EVENTS

On 6 February 2017, the Group has acquired the convertible notes at a consideration equivalent to the principal amount of HK$58.5 million. The Convertible Notes were issued by Wanjia Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 401). The Convertible Notes entitle the holder(s) thereof to convert into 90,000,000 conversion shares at a initial conversion price (subject to adjustment) of HK$0.65 per conversion share upon full exercise of the conversion rights attached to the Convertible Notes.

On 8 March 2017, the Group has commenced its new business activities involving securities investment.

On 20 March 2017, the Company entered into a subscription agreement with Head and Shoulders Global Investment Fund SPC, pursuant to which the Company agreed to subscribe for an aggregate amount of HK$110,000,000 of the portfolio shares. The amount of subscription was determined after arm's length negotiations between the fund and the Company on normal commercial terms.

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 2016 as set out in the preliminary 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 Engagement or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CCTH CPA Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.princefrog.com.cn) and the Stock Exchange (www.hkexnews.hk). The Company's annual report for the year ended 31 December 2016, containing all the information required by the Listing Rules, will be dispatched 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

Hong Kong, 28 March 2017

As at the date of this announcement, the Board comprises (i) five executive directors, namely Mr. Tsai Wallen, Mr. Ge Xiaohua, Mr. Huang Xinwen, Mr. Li Zhouxin and Mr. Ma Chi Ming; (ii) one non-executive director, namely Mr. Ren Yunan; and (iii) three independent non-executive directors, namely Ms. Chan Sze Man, Mr. Tsao Benedict and Mr. Ma Kwun Yung Stephen.