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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Revenue decreased by about 7.0% over the same period in 2013 to approximately RMB583.7 million.

Gross profit decreased by about 7.5% over the same period in 2013 to approximately RMB278.2 million. Gross profit margin decreased by around 0.2 percentage point over the same period in 2013 to approximately 47.7%.

Profit attributable to the equity holders of the Company for the period increased by about 61.4% over the same period in 2013 to approximately RMB117.5 million; Net profit margin increased by around 8.5 percentage points over the same period in 2013 to approximately 20.1%.

Basic earnings per share attributable to the equity holders of the Company increased by about 61.1% over the same period in 2013 to approximately RMB11.6 cents.

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	**30 June 2014 *RMB'000* (unaudited)**	31 December 2013 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**418,882**	391,693
Prepaid land lease payments		**18,947**	19,164
Intangible assets		**2,343**	3,063
Prepayments and deposits		**11,007**	9,372
Total non-current assets		**451,179**	423,292
CURRENT ASSETS			
Inventories		**97,538**	56,608
Trade receivables	9	**127,103**	123,717
Amount due from a related company		**1,669**	1,653
Prepayments, deposits and other receivables		**17,241**	4,170
Available-for-sale investments		**46,000**	—
Pledged deposits		**2,330**	—
Cash and cash equivalents		**902,173**	858,579
Total current assets		**1,194,054**	1,044,727

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2014

	Notes	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	10	**128,956**	72,811
Amount due to a related company		**383**	—
Other payables and accruals		**59,900**	36,572
Tax payable		**3,124**	25,576
Dividend payable	7	**40,214**	—
Total current liabilities		**232,577**	134,959
NET CURRENT ASSETS		**961,477**	909,768
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,412,656**	1,333,060
NON-CURRENT LIABILITY			
Deferred tax liabilities		**12,600**	10,900
Net assets		**1,400,056**	1,322,160

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2014

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

(a) the children's personal care products segment manufactures and trades Frog Prince branded skin care, body and hair care, oral care and diaper and tissue products;

(b) the adults' personal care products segment manufactures and trades Frog Prince branded oral care products and other skin care products; and

(c) the other products segment comprises, principally, the manufacture of skin care products, body and hair care products for branding and resale by others.

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

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

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

3. OPERATING SEGMENT INFORMATION (continued)

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

3. OPERATING SEGMENT INFORMATION (continued)

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

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

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories sold	**305,505**	327,275
Depreciation	**7,683**	5,911
Amortisation of prepaid land lease payments	**217**	217
Amortisation of intangible assets	**720**	720
Loss on disposal of items of property, plant and equipment	**—**	119

6. INCOME TAX EXPENSE/(CREDIT)

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

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

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

7. DIVIDEND

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

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

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

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

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

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

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

9. TRADE RECEIVABLES

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

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

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

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

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

10. TRADE AND BILLS PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

— On 15 March 2014, the Group was awarded the title of "Excellent Enterprise for Trustworthy Quality and Service in China" (全國品質和服務誠信優秀企業) by China Quality Inspection Association.

— On 20 March 2014, Mr. Wen Wenzhong, director of the research and development and quality guarantee department of the Group, was appointed as a member of "National Technical Committee on Fragrance and Flavor Cosmetic of Standardisation Administration (全國香精化妝品標準化技術委員會) (SAC/TC257)" by the Standardisation Administration of the PRC.

— On 16 April 2014, the babies' and toddlers' washing and skin care products with the brand of "Frog Prince" of the Group ranked the "first place in 2013 overall market share among similar products" jointly appraised and elected by China General Chamber of Commerce and China National Commercial Information Centre.

— On 22 May 2014, the Group was awarded the title of "2013 Annual Commended Enterprise of the Year for Brand Competitiveness" (中國工業企業品牌競爭力2013年度評價表彰企業) by the Ministry of Industry and Information Technology of the PRC.

— On 6 June 2014, the Group was awarded the title of “Excellent Enterprise for Quality Inspection Work in China” (全國品質檢驗工作先進企業) (2011-2013) by China Quality Inspection Association.

— On 13 June 2014, the animation and cartoon image of “Frog Prince” was selected as the “Cartoon Images of the Year on the List of Top Cartoon Brand 2012-2013” (2012-2013天下動漫風雲榜 — 年度動漫形象) by Cartoon Commission of the Chinese TV Artists Association (中國電視藝術家協會卡通藝術委員會), Chinese Cartoon Industry Forum (中國卡通產業論壇) and China A&C Source (中國動漫資源網) jointly.

— On 19 June 2014, the Group was awarded the title “Enterprise Model of Industrial Brand Development in China” (全國工業品牌培育示範企業) by the Ministry of Industry and Information Technology of the PRC.

Business Review

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

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

1. *Differentiated animation marketing strategies*

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

2. *Vigorous expansion of sales channels*

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

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

3. *Launch of diverse promotion campaigns*

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

4. Accurate brand communications

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

Excellence in Quality Control

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

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

Continuous Investment in Research & Development (R&D)

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

Social Responsibility

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

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

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

Financial Review

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

Gross Profit and Gross Profit Margin

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Costs

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

Net Profit and Net Profit Margin

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

Capital Expenditure

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

Financial Resources and Liquidity

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

Trade Receivables and Turnover Days

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

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

Trade and Bills Payables and Turnover Days

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

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

Inventory Turnover Days

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

Bank Borrowings

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

Pledge of Assets

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

Capital Structure

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

Risk of Foreign Exchange

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

Contingent Liabilities

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

Future Prospects

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

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

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

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

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

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

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

EMPLOYEES AND REMUNERATION

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

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIVIDEND

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

AUDIT COMMITTEE

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (Appendix 10 to the Listing Rules, the "**Model Code**") as its code of conduct governing securities transactions by directors. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2014.

CORPORATE GOVERNANCE

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.princefrog.com.cn) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's interim report for the six months ended 30 June 2014, containing all the information required by the Listing Rules, will be dispatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
China Child Care Corporation Limited
Mr. Li Zhenhui
Chairman

Zhangzhou, the PRC
26 August 2014

As at the date of this announcement, the Board of the Company comprises (i) five executive directors, namely Mr. Li Zhenhui, Mr. Xie Jinling, Mr. Ge Xiaohua, Mr. Huang Xinwen and Ms. Hong Fang; and (ii) three independent non-executive directors, namely Mr. Chen Shaojun, Mr. Ren Yunan and Mr. Wong Wai Ming.