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 2017

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

Revenue increased by about 35.3% over the same period in 2016 to approximately RMB364.8 million.

Gross profit increased by about 1.1% over the same period in 2016 to approximately RMB134.9 million. Gross profit margin decreased by around 12.5 percentage points over the same period in 2016 to about 37.0%.

Loss attributable to the equity holders of the Company for the period amounted to approximately RMB32.5 million, as compared with profit attributable to equity holders of the Company amounted to approximately RMB13.1 million over the same period in 2016.

Basic loss per share attributable to the equity holders of the Company was approximately RMB3.1 cents, basic earnings per share attributable to equity holders of the Company for the same period in 2016 was approximately RMB1.3 cents.

The board of directors (the "**Board**") of China Child Care Corporation Limited (the "**Company**") hereby presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2017 together with the unaudited comparative figures for the corresponding period in 2016 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 2017

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
REVENUE	*4*	**364,834**	269,598
Cost of sales		**(229,899)**	(136,071)
Gross profit		**134,935**	133,527
Other income and gains	*5*	**113,211**	3,711
Selling and distribution expenses		**(184,974)**	(67,066)
Administrative expenses		**(73,684)**	(52,512)
Other expenses		**(15,822)**	(1,480)
Finance costs	*6*	**(1,630)**	–
(Loss)/profit before tax	*7*	**(27,964)**	16,180
Income tax expenses	*8*	**(2,517)**	(3,371)
(Loss)/profit for the period		**(30,481)**	12,809
(Loss)/profit for the period attributable to:			
Equity holders of the Company		**(32,492)**	13,085
Non-controlling interests		**2,011**	(276)
		(30,481)	12,809
Other comprehensive income/(expense):			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating operations outside Mainland China		**(7,730)**	(8)

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*
For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Increase in gain on disposal of investment properties directly transferred to retained profits			
– Asset revaluation reserve		**7,157**	–
– Deferred tax liabilities realised		**2,386**	–
		9,543	–
Other comprehensive income/(expense) for the period		**1,813**	(8)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD		**(28,668)**	12,801
Attributable to:			
Equity holders of the Company		**(29,247)**	13,077
Non-controlling interests		**579**	(276)
		(28,668)	12,801
(Loss)/earnings per share attributable to the equity holders of the company	*10*		
Basic		**RMB(3.1) cents**	RMB1.3 cents
Diluted		**N/A**	RMB1.3 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017 RMB'000 (unaudited)**	31 December 2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**438,820**	452,109
Investment properties		**142,873**	23,000
Investment in associates		**16,000**	–
Prepaid land lease payments		**13,799**	13,969
Goodwill		**99,614**	99,614
Intangible assets		**564**	593
Available-for-sale investments		**12,887**	–
Loan and interest receivables	*11*	**33,433**	7,329
Promissory note receivable		**58,487**	–
Prepayments and deposits		**5,139**	2,864
		821,616	599,478
CURRENT ASSETS			
Inventories		**25,230**	30,852
Loan and interest receivables	*11*	**63,443**	118,012
Trade and bills receivables	*12*	**75,514**	134,058
Prepayment, deposits and other receivables		**140,800**	42,590
Available-for-sale investments		**30,976**	15,300
Financial assets through profit or loss		**94,081**	–
Amount due from a related company		**4,884**	7,418
Amounts due from non-controlling interests		**421**	–
Pledged bank deposits		**125,584**	124,866
Cash and cash equivalents			
– Cash held by securities brokers		**95,524**	–
– Bank balances and cash		**221,806**	614,462
		878,263	1,087,558
CURRENT LIABILITIES			
Trade and bills payables	*13*	**81,806**	93,695
Other payables and accruals		**20,917**	102,386
Interest-bearing bank borrowing		**107,682**	110,919
Amounts due to associates		**34,915**	–
Amount due to a non-controlling interest		**3,089**	–
Amount due to a director		**–**	399
Derivative financial liabilities		**–**	1,826
Tax payable		**15,674**	9,710
		264,083	318,935

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2017

	Notes	**30 June 2017** *RMB'000* **(unaudited)**	31 December 2016 *RMB'000* (audited)
NET CURRENT ASSETS		**614,180**	768,623
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,435,796**	1,368,101
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**14,600**	17,923
Net assets		**1,421,196**	1,350,178
EQUITY			
Share capital		**9,694**	8,386
Reserves		**1,332,344**	1,316,602
Equity attributable to equity holders of the Company		**1,342,038**	1,324,988
Non-controlling interests		**79,158**	25,190
Total equity		**1,421,196**	1,350,178

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

China Child Care Corporation Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 11 January 2011. The Company's 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 Group is principally engaged in the manufacturing and sale of personal care products, money lending, operation of an online platform, trading of commodities, investment in securities, properties holding 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 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 (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 2016 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards ("**IFRS**") which are effective for the Group's financial year beginning on 1 January 2017.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 12*

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

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

3. OPERATING SEGMENT INFORMATION

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

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

(b) Trading of commodities

(c) Money lending

(d) Operation of an online platform

(e) Investment in securities

(f) Properties holding

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment 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.

Segment assets exclude 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.

3. OPERATING SEGMENT INFORMATION *(continued)*

	Personal care products	Money lending	Operation of an online platform	Trading of commodities	Investment in securities	Properties holding	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2017 (unaudited)							
Segment revenue:							
Sales to external customers	**247,173**	**16,253**	**8,924**	**92,316**	**–**	**168**	**364,834**
Segment results	**(129,197)**	**7,524**	**6,560**	**3,962**	**(10)**	**(7,350)**	**(118,511)**
Interest income derived from banks							**4,824**
Other unallocated income and gains							**947**
Gain on disposal of subsidiaries	**95,586**						**95,586**
Gain on change in fair value of financial assets through profit or loss							**6,943**
Corporate and other unallocated expenses							**(16,123)**
Finance costs							**(1,630)**
Loss before tax							**(27,964)**
Six months ended 30 June 2016 (unaudited)	*RMB'000* (restated)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (restated)	*RMB'000* (restated)
Segment revenue:							
Sales to external customers	269,598	–	–	–	–	–	269,598
Segment results	19,750	–	–	–	–	1,061	20,811
Interest income derived from banks							1,286
Other unallocated income and gains							1,364
Corporate and other unallocated expenses							(7,281)
Profit before tax							16,180

3. OPERATING SEGMENT INFORMATION *(continued)*

	Personal care products	Money lending	Operation of an online platform	Trading of commodities	Investment in securities	Properties holding	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2017 (unaudited)							
Segment assets	**633,120**	**100,560**	**92,688**	**13,944**	**36,943**	**142,873**	**1,020,128**
Reconciliation:							
Corporate and other unallocated assets							**679,751**
Total assets							**1,699,879**
Segment liabilities	**130,752**	**1,170**	**32**	**–**	**–**	**3,089**	**135,043**
Reconciliation:							
Corporate and other unallocated liabilities							**143,640**
Total liabilities							**278,683**
As at 31 December 2016 (audited)	*RMB'000* (restated)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (restated)	*RMB'000* (restated)
Segment assets	677,419	125,788	89,663	–	–	23,000	915,870
Reconciliation:							
Corporate and other unallocated assets							771,166
Total assets							1,687,036
Segment liabilities	175,760	817	84	1,741	–	3,323	181,725
Reconciliation:							
Corporate and other unallocated liabilities							155,133
Total liabilities							336,858

Certain assets, income and expenses, which were previously not allocated to reportable segments, have been allocated to appropriate segment assets and results in respect of the current period. Certain comparative figures of the segment information has been restated to conform with the current year's presentation.

4. REVENUE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from sales of goods	**339,489**	269,598
Interest income from money lending business	**16,253**	–
Income from operation of an online platform	**8,924**	–
Rental income	**168**	–
	364,834	269,598

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income derived from banks	**4,824**	1,286
Income derived from available-for-sale investments	**796**	501
Gain on disposal of subsidiaries	**95,586**	–
Gain on change in fair value of financial assets through profit or loss	**6,943**	–
Reversal of impairment loss on trade receivables	**4,053**	–
Government subsidies*	**736**	278
Rental income	**–**	1,061
Others	**273**	585
	113,211	3,711

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

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank borrowing	**1,630**	–

7. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories sold (note a below)	**228,627**	136,071
Depreciation (note a below)	**5,977**	2,516
Amortisation of prepaid land lease payments	**170**	170
Amortisation of intangible assets	**29**	127
Minimum lease payments under operating leases on land and buildings	**1,172**	969
Unrealised loss on derivative financial instruments	**–**	2,985
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**32,344**	23,686
Equity-settled share option expense	**4,404**	4,402
Retirement benefit scheme contributions	**5,472**	2,503
Total staff costs	**42,220**	30,591
Research and development cost (note b below)	**5,633**	2,273
Trade receivables written off included in other expenses	**6,343**	–
Loss on disposal of items of property, plant and equipment included in other expenses	**1,929**	–
Loss on disposal of investment properties included in other expenses	**7,518**	–

Note:

(a) In addition to the amounts disclosed above, the depreciation and employee benefits expenses of RMB10,209,000 (six months ended 30 June 2016: RMB9,459,000) and RMB15,235,000 (six months ended 30 June 2016: RMB13,433,000) respectively are included in the cost of inventories sold amounted to RMB228,627,000 (six months ended 30 June 2016: RMB136,071,000) shown above.

(b) The research and development costs for the six months ended 30 June 2017 include an amount of RMB1,309,000 (six months ended 30 June 2016: RMB1,630,000) 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 EXPENSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Hong Kong profits tax	**2,974**	–
PRC Enterprise Income tax	**480**	3,071
	3,454	3,071
Deferred tax	**(937)**	300
Total income tax recognised for the period	**2,517**	3,371

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

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% of the profit assessable to tax for both of the periods presented.

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. In 2016, 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. DIVIDEND

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividend declared	**–**	–

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss/earnings per share is based on the loss for the period attributable to the equity holders of the Company of approximately RMB32,492,000 (2016: profit of approximately RMB13,085,000) and the weighted average of 1,041,551,000 (2016: 1,010,491,000) ordinary shares in issue during the six months ended 30 June 2017.

Diluted loss per share for the six months ended 30 June 2017 is not presented as the effects of potential shares issuable arising from exercise of share options is regarded anti-dilutive.

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

11. LOAN AND INTEREST RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Loan and interest thereon receivable		
– within one year	**63,443**	118,012
– over 1 year	**33,433**	7,329
	96,876	125,341
Analysed for reporting as:		
Non-current asset	**33,433**	7,329
Current asset	**63,443**	118,012
	96,876	125,341

Movement during the period/year are as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At 1 January	**125,341**	–
Loans made by the Group	**52,640**	116,074
Interest on loans receivable	**16,253**	4,091
Loans and interest repaid by borrower	**(94,164)**	(365)
Exchange realignment	**(3,194)**	5,541
At 30 June/At 31 December	**96,876**	125,341

12. TRADE AND BILLS RECEIVABLES

	30 June 2017 *RMB'000* **(unaudited)**	31 December 2016 *RMB'000* (audited)
Trade and bills receivables	**76,237**	138,834
Less: allowance for doubtful debts	**(723)**	(4,776)
	75,514	134,058

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

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

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

	30 June 2017 *RMB'000* **(unaudited)**	31 December 2016 *RMB'000* (audited)
Within 30 days	**29,533**	78,059
31 to 60 days	**11,922**	29,899
61 to 90 days	**6,964**	15,122
Over 90 days	**27,095**	10,978
	75,514	134,058

13. TRADE AND BILLS PAYABLES

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

	30 June 2017 *RMB'000* **(unaudited)**	31 December 2016 *RMB'000* (audited)
Within 30 days	**25,526**	23,458
31 to 90 days	**17,134**	44,630
Over 90 days	**39,146**	25,607
	81,806	93,695

The trade payables are non-interest-bearing and are normally settled on terms of one to six months (31 December 2016: one to six months).

As at 30 June 2017, bills payables of RMB5,584,000 (31 December 2016: RMB4,866,000) were secured by the pledge of certain of the Group's time deposits of RMB5,584,000 (31 December 2016: RMB4,866,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Personal Care Products

During the period under review, the revenue from personal care products of the Group was approximately RMB247.2 million, representing a decrease of about 8.3% over the same period of last year (30 June 2016: RMB269.6 million). The personal care products business recorded a loss of approximately RMB129.2 million during the period under review as compared with profit of approximately RMB19.8 million for the period ended 30 June 2016.

The substantial difference was primarily attributable to the decrease in the revenue of personal care products segment due to slowdown of economy in the PRC and the change in consumers' consumption habits to electronic commerce and the Group continued to invest in brand and marketing promotion and the fixed costs of the Group were not reduced.

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 period under review, this business segment generated interest income of approximately RMB16.3 million and recorded a segment profit of approximately RMB7.5 million. An aggregate loan of approximately RMB168.7 million with average effective interest rate of approximately 26.1% per annum had been granted by the Group up to 30 June 2017. As at 30 June 2017, the loan receivable of the Group amounted to approximately RMB91.4 million. All the loans granted by the Group were secured by mortgages, charge on shares or charge on assets. In the event of default or failure to repay any outstanding amounts by the debtors, the Group will proceed with sale of collaterals.

Operation of an Online Platform

During the period under review, the operation of online platform focusing on the children, babies and parents (the "**CBP**") contributed a total revenue of approximately RMB8.9 million to the Group, and recorded a profit of approximately RMB6.6 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 at MyBB.com.hk ("**MYBB**"), the promotion of MYBB CBP information platform in the PRC market through "Frog Prince", and the integration of online to offline operations thus broaden the Group's revenue streams.

Trading of Commodities

The Group's business segment of trading of commodities was put into operation in the fourth quarter of 2016. During the period under review, the trading of commodities contributed a total revenue of approximately RMB92.3 million to the Group. The business of trading of commodities recorded a profit of approximately RMB3.9 million.

The Board believes that 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.

Securities Investment Business

As at 30 June 2017, the Group had a portfolio of securities investment of approximately RMB36.9 million and all of which were equity securities listed in Hong Kong. For the period under review, the Group recorded a net unrealised loss of approximately RMB10,000 in its entire securities investment.

Details of the investments and unrealised fair value change of equity securities listed in Hong Kong are as follows:

Company name (Stock code)	% of shareholding of the respective shares as at 30 June 2017	Change in fair value for the six months ended 30 June 2017	Fair value as at 30 June 2017	% to the total assets of the Group as at 30 June 2017
		RMB'000	*HK$'000*	
Landing International Development Limited (582)	0.18	(2,190)	15,230	0.90
International Entertainment Corporation (1009)	1.13	2,180	21,713	1.28

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

Properties holding

In the second quarter of 2017, the Group acquired the entire issued share capital of Apex Magic International Limited (the "**Acquisition**"), an investment holding company incorporated in the British Virgin Islands with limited liability, from an independent third party.

Apex Magic International Limited and its subsidiaries (the "**Acquired Group**") are principally engaged in properties holding. The assets of the Acquired Group mainly consist of the lands and the properties located in Yuen Long, Hong Kong. The property prices in Yuen Long in both the first-hand and second-hand markets dramatically increased in recent years and are expected to increase continuously in the near future. The Group is optimistic about the development of property market in Hong Kong due to shortage in supply of land and therefore, has been identifying the potential property investment and development opportunities in Hong Kong. It is the intention of the Company that the properties erected on all the lands owned by the Acquired Group shall be demolished and such lands be redeveloped. Relevant applications have been made to the government and to the best knowledge, information and belief of the directors of the Company, there is no legal impediment in obtaining the relevant approval from the government. As a result, the directors of the Company believe that the Acquisition can further expand the Group's business, broaden its revenue streams and bring greater return to the shareholders of the Company.

FINANCIAL REVIEW

For the period ended 30 June 2017, the turnover of the Group was approximately RMB364.8 million, representing an increase of about 35.3% over the same period of last year (for the period ended 30 June 2016: RMB269.6 million).

During the period under review, the revenue from personal care products of the Group was approximately RMB247.2 million, representing a decrease of about 8.3% over the same period of last year (for the period ended 30 June 2016: RMB269.6 million).

During the period under review, the money lending business contributed a total revenue of approximately RMB16.3 million to the Group.

During the period under review, the operation of an online platform contributed a total revenue of approximately RMB8.9 million to the Group.

The Group's business segment of trading of commodities contributed a total revenue of approximately RMB92.3 million to the Group.

The Group's business segment of properties holding contributed a total revenue of approximately RMB168,000 to the Group.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the period ended 30 June 2017 was approximately RMB134.9 million, representing an increase of about 1.1% as compared with RMB133.5 million for the period ended 30 June 2016. During the period under review, the gross profit margin decreased by around 12.5 percentage points over the same period of last year to about 37.0% (for the period ended 30 June 2016: 49.5%). The decrease in overall gross profit margin was primarily due to the lower gross profit margin for the business of trading of commodities.

The total gross profit for personal care products was about RMB106.9 million for the period ended 30 June 2017, representing a decrease of about 19.9% as compared with RMB133.5 million of the period ended 30 June 2016. Gross profit margin decreased to about 43.2%, representing a decrease of about 6.3 percentage points compared with the same period of last year. The decrease was mainly due to the increased discount provided to distributors by the Group in 2017.

The gross profit for money lending business for the period ended 30 June 2017 was about RMB16.3 million.

The gross profit for operation of an online platform for the period ended 30 June 2017 was about RMB7.7 million.

The gross profit for trading of commodities for the period ended 30 June 2017 was about RMB3.9 million and the gross profit margin was about 4.3%.

The gross profit for properties holding for the period ended 30 June 2017 was about RMB168,000.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. Selling and distribution expenses amounted to approximately RMB185.0 million for the period ended 30 June 2017, representing an increase of about 175.8% as compared with RMB67.1 million for the period ended 30 June 2016.

The selling and distribution expenses accounted for about 50.7% of the revenue during the reporting period (for the period ended 30 June 2016: 24.9%), among which, advertising and promotion expenses, as a percentage of revenue, increased from 11.8% for the period ended 30 June 2016 to about 39.4% for the period ended 30 June 2017, representing an increase of about 27.6 percentage points. The Group allocated more in advertising expenses mainly due to the decline in sales performance last year. It is expected that the market will take time to react and hopefully, the sales performance of the Group will be enhanced in the second half of the year.

The transportation expenses and other expenses, as a percentage of revenue, decreased about 1.8 percentage points to about 11.3% for the period ended 30 June 2017 as compared with the same period of 2016 (for the period ended 30 June 2016: 13.1%).

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 RMB73.7 million for the period ended 30 June 2017 (for the period ended 30 June 2016: RMB52.5 million), representing an increase of about 40.3% over the same period of last year. The administrative expenses increased mainly due to the raise of salary of administrative personnel of the Group and depreciation expenses during the period under review. Administrative expenses accounted for about 20.2% of the Group's revenue for the period ended 30 June 2017 (for the period ended 30 June 2016: 19.5%).

Finance Costs

The Group had finance costs of approximately RMB1.6 million for the period ended 30 June 2017 (for the period ended 30 June 2016: Nil).

Acquisitions

In the first half of 2017, the Group acquired the entire issued share capital of Apex Magic International Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, from an independent third party.

The Acquired Group is principally engaged in properties holding. The assets of the Acquired Group mainly consist of the lands and the properties located in Yuen Long, Hong Kong.

The consideration of the said acquisition was RMB71,192,000, which RMB22,115,000 was paid in cash and RMB49,077,000 was paid by consideration shares of the Company.

In the fourth quarter of 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.

The Marvel Paramount Holdings Limited and its subsidiary are primarily engaged in the operation of an online platform focusing on the CBP markets, including the provision of marketing, marketing consulting and promotional services, 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. The subsidiary also operates one retail store in Hong Kong and online stores for sales of CBP products for members in Hong Kong, PRC and Australia. The subsidiary 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, and was paid 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 recognised at the date of acquisition.

No impairment loss of goodwill was made during the six month ended 30 June 2017 (for the year ended 31 December 2016: RMB20,000,000).

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 recognised at the date of acquisition. An accumulated impairment loss of RMB19,500,000 was provided as at 30 June 2017.

Disposal

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

In the first half of 2017, Frog Prince (China), as vendor, and Wosheng, as purchaser, entered into a share transfer agreement. Pursuant to the agreement, Wosheng had conditionally agreed to acquire 45% equity interest in Fujian Herun at the consideration of RMB100.0 million.

Following the completion of the abovementioned share transfer, the Group's interest in Fujian Herun was reduced from 75% to 30% and Fujian Herun ceased to be a subsidiary of the Group.

Net Loss and Net Loss Margin

For the period ended 30 June 2017, loss attributable to equity holders of the Company amounted to approximately RMB32.5 million as compared with profit attributable to equity holders of the Company of RMB13.1 million for the period ended 30 June 2016. The net loss margin was about 8.9% as compared with 4.9% of net profit margin for the period ended 30 June 2016, with basic loss per share of approximately RMB3.1 cents (basic earnings per share for the period ended 30 June 2016: RMB1.3 cents). This is mainly attributable to the gross profit of the Group had increased slightly by approximately RMB1.4 million, but the selling and distribution expenses and administrative expenses had increased by approximately RMB139.1 million as the Group remained heavily invested in brand building, promotion, whereas the fixed expenses of the Group remained and the Group made an trade receivable written off of approximately RMB6.3 million for the period under review (for the period ended 30 June 2016: Nil).

Capital Expenditure

For the period ended 30 June 2017, the Group's material capital expenditure amounted to approximately RMB8.6 million (for the six months ended 30 June 2016: RMB4.8 million), mainly used for renovation of our plants, consolidation work of our plants and acquisition of new equipments.

Financial Resources and Liquidity

As at 30 June 2017, cash and cash equivalents of the Group amounted to approximately RMB317.3 million (31 December 2016: RMB614.5 million). The current ratio was 3.3 (31 December 2016: 3.4). 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.

Loan and Interest Receivable

As at 30 June 2017, the Group's loan and interest receivables were approximately RMB96.9 million (31 December 2016: RMB125.3 million). An aggregate loan of approximately RMB168.7 million with an average annual interest rate of approximately 26.1% per annum had been granted by the Group up to 30 June 2017. All the loans granted by the Group were secured by mortgages, charge on shares or charge on assets.

Trade and Bills Receivables

As at 30 June 2017, the Group's trade and bills receivables were approximately RMB75.5 million (31 December 2016: approximately RMB134.1 million). The Group usually grants a credit period of 30 to 60 days to our customers. The decrease in trade and bills receivables for the period was mainly due to the decrease in sales volume of the Group's personal care products and the disposal of Fujian Herun in 2017. For the period ended 30 June 2017, the Group made an trade receivable written off of approximately RMB6.3 million (for the period ended 30 June 2016: Nil).

Trade and Bills Payables

As at 30 June 2017, trade and bills payables were approximately RMB81.8 million (31 December 2016: approximately RMB93.7 million). The decrease in trade and bills payables was mainly due to the decrease in sales volume of the Group's personal care products and the disposal of Fujian Herun in 2017.

Inventories

As at 30 June 2017, inventories of the Group were approximately RMB25.2 million (31 December 2016: approximately RMB30.9 million). The decrease in inventories was mainly because the Group decreased its inventory level due to the decrease in sales volume of its personal care products and the disposal of Fujian Herun in 2017. As at 30 June 2017, the inventory balance decreased by about 18.2% over 2016.

Gearing Ratio

As at 30 June 2017, the current assets and total assets of the Group were approximately RMB878.3 million and RMB1,699.9 million respectively, the current liabilities and total liabilities of the Group were approximately RMB264.1 million and RMB278.7 million respectively. The gearing ratio (total liabilities/total assets) of the Group was approximately 16.4% (31 December 2016: 20.0%).

Bank Borrowing

As at 30 June 2017, the Group had bank borrowing of RMB107.7 million (31 December 2016: RMB110.9 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 30 June 2017, the Group had pledged deposits of RMB125.6 million (31 December 2016: RMB124.9 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

The Company conducted its business transactions principally in Renminbi and Hong Kong dollars. The directors of the Company considered that the Company had no significant exposure to foreign exchange fluctuations. Nevertheless, the management will continue to monitor the foreign exchange exposure policies and will take any future prudent measure it deems appropriate.

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities.

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 our own brand in personal care product industry. In response to the above adverse business environment, the Group will continue to strengthen the promotion of sales to avoid further decline in sales revenue. Meanwhile, the Group will review the current investment and the return 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 future, including possible promotion and marketing through media platform. The Group may consider putting certain marketing efforts to promote our brand through various public media. Looking forward, 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 Listing Rules as and when appropriate.

EMPLOYEES AND REMUNERATION

As at 30 June 2017, the Group employed 2,242 employees (as at 31 December 2016: 1,254 employees). The increase in the employees as compared with that of 31 December 2016 was mainly because the Group employed temporary workers and summer interns in June 2017, mainly in order to coordinate the needs of packing OEM gifts boxes for peak season orders from June to August.

In addition to basic salaries, year-end bonuses may be awarded by the Group to those staff members with outstanding performance. Constituent companies of the Group established in Mainland China are also subject to social insurance contribution plans required by the PRC government. In accordance with the relevant national and local labor and social welfare laws and regulations, constituent companies of the Group established in Mainland China are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance.

In addition, a share option scheme was adopted by the Company in June 2011 and the limit of the share option scheme was renewed at June 2017 to reward staff members who make contributions to the success of the Group. The directors of the Company believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2017.

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 period under review.

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 2017, 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 Listing Issuers" (Appendix 10 to the Listing Rules, the "**Model Code**") as its code of conduct governing transactions in the Company's securities by directors of the Company. All directors of the Company have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard set out in the Model Code during the period under review.

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 2017, except for code provision A.2.1, which stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

During the six months ended 30 June 2017, Mr. Tsai Wallen, the Company's Chairman of the Board, assumed the functions of Chief Executive Officer of the Company. Mr. Tsai has extensive experience in management and over 30 years of business experience. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Tsai 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. Subsequent to the period ended 30 June 2017, Mr. Tsai was appointed as the Company's Chief Executive Officer of the Company on 11 August 2017.

SUBSEQUENT EVENTS

The following events took place subsequent to the end of the reporting period:

(i) As disclosed in the Company's announcement dated 4 July 2017, the Group entered into a loan agreement with customer A and customer B (collectively the "**Borrowers**"), pursuant to which the Group agreed to grant to the Borrowers, the independent third parties, a loan with principal amount of HK$75 million, bearing interest at a rate of 12% per annum, for a period of 12 months from the date of the loan agreement.

    The loan is secured by a second legal mortgage in respect of a residential property located in Ho Man Tin, Kowloon.

(ii) As disclosed in the Company's announcement dated 19 July 2017, the Group entered into a loan agreement with customer C and customer D, pursuant to which the Group agreed to grant to customer C and customer D, the independent third parties, a loan with principal amount of HK$95 million, bearing interest at a rate of 16% per annum, for a period of 36 months from the date of the loan agreement.

    The loan is secured by a third legal mortgage in respect of a residential property located in South Island, Hong Kong.

(iii) On 25 August 2017, Cheer Winner Investment Limited ("**Cheer Winner**"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "**MOU**") with Shanghai Xuan Long Investment Management Co., Limited (上海炫龍投資管理有限公司) ("**Shanghai Xuan Long**") and Shanghai Xuan Gao Culture Communication Co., Limited (上海炫高文化傳播有限公司) ("**Shanghai Xuan Gao**", together with Shanghai Xuan Long, the "**Parties**") in relation to a proposed strategic cooperation.

Pursuant to the terms of the MOU, the cooperation between the Company and the Parties will be, among others, (i) the proposed formation of a joint venture company between Cheer Winner and Shanghai Xuan Long for the development of an integrated indoor and outdoor theme park with animation entertainment in Shanghai, the PRC (the "**Theme Park**"); (ii) the proposed formation of a joint venture company among Cheer Winner, Shanghai Xuan Long and Shanghai Xuan Gao for the daily business operations and management of the Theme Park; and (iii) the Group will provide its existing children's personal care products and the Parties will provide the development and using right of their animation brand.

Details regarding the MOU are set out in the announcement dated 25 August 2017 made by 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 (www.hkexnews.hk). The Company's interim report for the six months ended 30 June 2017, 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. Tsai Wallen
Chairman

Zhangzhou, the PRC
29 August 2017

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