China Child Care Corporation Limited
中 國 兒 童 護 理 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1259)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2015:

Revenue decreased by about 38.4% over the same period in 2014 to approximately RMB913.7 million, and the revenue from children's personal care products decreased by about 41.9% over the same period in 2014 to approximately RMB770.5 million

Gross profit decreased by about 49% over the same period in 2014 to approximately RMB359.2 million

Gross profit margin decreased by around 8.2 percentage points over the same period in 2014 to approximately 39.3%

Loss attributable to equity holders of the Company for the year amounted to approximately RMB50.3 million, as compared with profit attributable to equity holders of the Company amounted to RMB200.4 million over the same period in 2014

Basic loss per share attributable to equity holders of the Company was RMB5.0 cents, basic earnings per share attributable to equity holders of the Company was RMB19.8 cents over the same period in 2014

The board of directors (the "**Board**") of China Child Care Corporation Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2015, together with the comparative figures for the year 2014, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	4	**913,716**	1,482,469
Cost of sales		**(554,557)**	(777,879)
Gross profit		**359,159**	704,590
Other income and gains	4	**27,156**	26,530
Selling and distribution expenses		**(320,375)**	(430,816)
Administrative expenses		**(95,022)**	(82,237)
Other operating expenses		**(2,672)**	(2,880)
Finance costs	5	**(6)**	–
Provision for impairment of goodwill		**(17,500)**	–
PROFIT/(LOSS) BEFORE TAX	6	**(49,260)**	215,187
Income tax expense	7	**(556)**	(14,794)
PROFIT/(LOSS) FOR THE YEAR		**(49,816)**	200,393
Attributable to:			
Equity holders of the Company		**(50,309)**	200,393
Non-controlling interests		**493**	–
		(49,816)	200,393
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	9		
Basic		**RMB(5.0) cents**	RMB19.8 cents
Diluted		**RMB(5.0) cents**	RMB19.8 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 *RMB'000*	2014 *RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**(49,816)**	200,393
Other comprehensive income/(expense):		
Other comprehensive income/(expense) may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of operations outside Mainland China	**22**	(479)
Net other comprehensive income/(expense) may be reclassified to profit or loss in subsequent periods	**22**	(479)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	**9,543**	–
Income tax effect	**(2,386)**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**7,157**	–
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**7,179**	(479)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**(42,637)**	199,914
Attributable to:		
Equity holders of the Company	**(43,130)**	199,914
Non-controlling interests	**493**	–
	(42,637)	199,914

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**477,281**	495,666
Investment properties		**30,300**	–
Prepaid land lease payments		**14,292**	18,730
Goodwill		**18,357**	–
Intangible assets		**183**	1,623
Prepayments and deposits		**3,179**	1,178
Total non-current assets		**543,592**	517,197
CURRENT ASSETS			
Inventories		**27,011**	42,572
Trade receivables	*10*	**41,205**	145,454
Prepayments, deposits and other receivables		**13,603**	10,028
Available-for-sale investments		**2,008**	2,000
Amount due from a related company		**5,903**	6,828
Tax recoverable		**155**	–
Pledged deposits		**4,498**	2,000
Cash and cash equivalents		**968,757**	966,567
Total current assets		**1,063,140**	1,175,449
CURRENT LIABILITIES			
Trade and bills payables	*11*	**84,882**	125,083
Other payables and accruals		**32,488**	50,489
Interest-bearing bank borrowings		**50,000**	–
Amount due to a related company		**–**	190
Tax payable		**6,603**	16,840
Total current liabilities		**173,973**	192,602
NET CURRENT ASSETS		**889,167**	982,847

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,432,759**	1,500,044
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**17,923**	14,600
Net assets		**1,414,836**	1,485,444
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**8,386**	8,386
Reserves		**1,402,228**	1,477,058
		1,410,614	1,485,444
Non-controlling interests		**4,222**	–
Total equity		**1,414,836**	1,485,444

1. CORPORATE INFORMATION

China Child Care Corporation Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 11 January 2011. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1–1111, Cayman Islands. The Company's principal place of business in the People's Republic of China (the "**PRC**") is located at No.8 North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province, the PRC.

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

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
Annual improvements to IFRSs 2010-2012 Cycle
Annual improvements to IFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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

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

3. OPERATING SEGMENT INFORMATION *(continued)*

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

Segment liabilities exclude unallocated other payables and accruals, interest-bearing bank borrowings, an amount due to a related company, tax payable 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*
Year ended 31 December 2015				
Segment revenue:				
Sales to external customers	**770,538**	**32,262**	**110,916**	**913,716**
Segment results	**239,309**	**11,796**	**22,817**	**273,922**
Interest income derived from banks				**14,702**
Other unallocated income and gains				**12,454**
Corporate and other unallocated expenses				**(332,832)**
Finance costs				**(6)**
Provision for impairment of goodwill	**(17,500)**	**–**	**–**	**(17,500)**
Loss before tax				**(49,260)**
Segment assets	**96,347**	**1,963**	**24,061**	**122,371**
Reconciliation:				
Corporate and other unallocated assets				**1,484,361**
Total assets				**1,606,732**
Segment liabilities	**64,307**	**2,849**	**21,040**	**88,196**
Reconciliation:				
Corporate and other unallocated liabilities				**103,700**
Total liabilities				**191,896**
Other segment information:				
Depreciation and amortisation	**5,228**	**57**	**947**	**6,232**
Unallocated depreciation and amortisation				**26,033**
Total depreciation and amortisation*				**32,265**
Capital expenditure	**5,452**	**–**	**840**	**6,292**
Unallocated capital expenditure				**17,367**
Total capital expenditure**				**23,659**

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*
Year ended 31 December 2014				
Segment revenue:				
Sales to external customers	1,325,863	49,570	107,036	1,482,469
Segment results	598,048	15,635	27,260	640,943
Interest income derived from banks				17,353
Other unallocated income and gains				9,177
Corporate and other unallocated expenses				(452,286)
Profit before tax				215,187
Segment assets	198,425	6,304	24,116	228,845
Reconciliation:				
Corporate and other unallocated assets				1,463,801
Total assets				1,692,646
Segment liabilities	107,896	5,170	15,317	128,383
Reconciliation:				
Corporate and other unallocated liabilities				78,819
Total liabilities				207,202
Other segment information:				
Depreciation and amortisation	6,046	53	446	6,545
Unallocated depreciation and amortisation				11,212
Total depreciation and amortisation*				17,757
Capital expenditure	1,020	–	94	1,114
Unallocated capital expenditure				124,117
Total capital expenditure**				125,231

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

** *Capital expenditure consists of additions to property, plant and equipment.*

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

During the year ended 31 December 2015, the Group's revenue amounted to RMB819,557,000 (2014: RMB1,388,447,000) and RMB94,159,000 (2014: RMB94,022,000) was generated in Mainland China and overseas, respectively.

Since over 90% of the Group's identifiable assets and liabilities were located in Mainland China, no additional geographical information is presented, which is in accordance with IFRS 8 *Operating Segments*.

Information about major customers

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the years ended 31 December 2015 and 2014, therefore no information about major customers is presented.

4. REVENUE, OTHER INCOME AND GAINS

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

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**913,716**	1,482,469
Other income and gains		
Interest income derived from banks	**14,702**	17,353
Income derived from available-for-sale investments	**2,049**	4,173
Fair value gains on investment properties	**3,750**	–
Government subsidies*	**4,263**	3,436
Net fair value gains on foreign exchange derivative financial instruments – transactions not qualified as hedges	**–**	768
Rental income	**1,586**	–
Others	**806**	800
	27,156	26,530
	940,872	1,508,999

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

5. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank borrowings	**6**	–

6. PROFIT/(LOSS) BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**554,557**	777,879
Depreciation	**30,470**	15,883
Amortisation of prepaid land lease payments	**355**	434
Amortisation of intangible assets	**1,440**	1,440
Loss on disposal of items of property, plant and equipment	**526**	–
Fair value gains on investment properties	**(3,750)**	–
Provision for impairment of goodwill	**17,500**	–

7. INCOME TAX EXPENSE

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 year (2014: 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.

	2015	2014
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**1,195**	51,964
Overprovision in prior year	**(1,576)**	(40,870)
	(381)	11,094
Deferred	**937**	3,700
Total tax charge for the year	**556**	14,794

7. INCOME TAX EXPENSE *(continued)*

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

8. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Dividend paid during the year:		
Final – HK5.0 cents (2014: HK5.0 cents) per ordinary share	**39,887[(ii)]**	40,107[(i)]
Proposed final:		
Nil (2014: HK5.0 cents) per ordinary share	**–[(iii)]**	39,857[(ii)]

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

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

(iii) In respect of the financial year ended 31 December 2015

The directors of the Company do not recommend any payment of final dividend for the year ended 31 December 2015.

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

The calculation of the basic earnings/(loss) per share amount is based on the loss for the year attributable to equity holders of the Company of RMB50,309,000 (2014: profit of RMB200,393,000) and the number of ordinary shares in issue during the year of 1,010,491,000 (2014: weighted average number of ordinary shares of 1,010,479,000).

The Group had no dilutive events during the year ended 31 December 2015.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY *(continued)*

The calculation of the diluted earnings per share amount for the year ended 31 December 2014 was based on the profit for the year attributable to equity holders of the Company of RMB200,393,000. The weighted average number of ordinary shares of 1,010,987,000 used in the calculation is the weighted average number of ordinary shares of 1,010,479,000 in issue during the year, 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 that year of 508,000.

10. TRADE RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**41,205**	145,454

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:

	2015	2014
	RMB'000	*RMB'000*
Within 30 days	**21,519**	107,733
31 to 60 days	**4,745**	34,611
61 to 90 days	**7,155**	2,539
Over 90 days	**7,786**	571
	41,205	145,454

11. TRADE AND BILLS PAYABLES

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

	2015	2014
	RMB'000	*RMB'000*
Within 1 month	**30,258**	76,590
1 to 3 months	**38,872**	48,490
Over 3 months	**15,752**	3
	84,882	125,083

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

As at 31 December 2015, bills payable of RMB2,498,000 (2014: Nil) were secured by the pledge of time deposits of RMB2,498,000 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, the growth in consumption has been slowing down due to the sluggish growth of the domestic economy. Meanwhile, the concept, structure and mode of consumption had undergone great changes, which brought fierce competition in the domestic market. Therefore, the Group's revenue in 2015 decreased by about 38.4% over the same period in 2014, among which, the revenue from the children's personal care products decreased by about 41.9% over 2014.

BUSINESS REVIEW

Accurate brand advertising

In 2015, based on the media preference of target consumers, the Group launched all-rounded brand marketing and promotion through various platforms including new media such as Wechat, TV media, Internet and China Railway High-speed ("**CRH**") media. The Group's "Frog Prince" brand was designated as the children's personal care product supplier for the third season of "Where Are We Going, Dad?" (爸爸去哪兒) of Hunan TV and the official partner of "Crazy Magic" (瘋狂麥咭) of Golden Eagle Cartoon TV (金鷹卡通衛視). The brand and products were shown in the 30-episode series "Boys to Men" (爸爸快長大), through which the "Frog Prince" brand philosophy of spending more time and giving more care to children, was well delivered. The Group was also the title sponsor for the CRH travelling between Fuzhou and Beijing in the name of "Frog Prince" aiming to display the brand and enhance attention to it by leveraging the effective advertising of CRH media platform. As a continuation of the "Frog Prince" brand concept of being companion alongside children's healthy growth, the Company constantly promoted its brand philosophy through online platforms and new media.

Differentiated animation marketing strategies

The three-series animation of the Group has been popular on online video platforms, including Youku (www.youku.com), Tudou (www.tudou.com), Tencent (v.qq.com), iQIYI.COM (www.iqiyi.com) and Letv (www.letv.com). As of 31 December 2015, the accumulative click rate was approximately 70 million times. The Group also developed a brand new three-dimensional cartoon image of "Frog Prince", laying a foundation for the future development of more vivid promotional products and derivatives. Such cartoon image has been widely used in decorating the Group's new industrial park, where a total of nine interactive animation experience activities for children were held in 2015. In addition, interactive events were carried out in shopping malls to attract consumers' attention, including setting up an inflated castle in the theme of "Frog Prince" cartoon, distributing promotional items designed in cartoon image and arranging sales team to dress up as "Frog Prince" and interact with consumers.

Launch of diverse off-line promotion campaigns

In 2015, the Group made more effort in off-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 2,000 large-scale promotional activities in more than 1,500 key stores located in approximately 200 cities of key provinces across the country under the theme of "Grow up with new requirements, care with wonderful gifts" (成長新要求，關愛更有禮) in March and May 2015, respectively; the Group held nearly 3,000 theme promotional activities in almost 1,000 key stores located in approximately 400 cities of key provinces in the second half of 2015 under the theme of "Where Are We Going, Dad?" (爸爸去哪兒) and "Crazy Magic" (瘋狂麥咭); the Group launched large-scale roadshows in over 75 cities nationwide under the theme of "Where Are We Going on June 1, Dad? – Parent-Child Happiness Nourishing My Growth" (爸爸，六一去哪兒– 六一親子樂，滋潤我成長) on "June 1" International Children's Day in 2015.

Continuous launch of new products

In 2015, to adapt to the ever-changing market and satisfy different needs of consumers, the Group launched three new series of products in fields of children's skin care and bath products, including natural moisturizing products of "Frog Prince" brand with "moisture, safety, natural" as the core selling point, and the freshly extracted essence product line of "Frog Prince" brand which contain innovative ingredients. As to children's oral care, the Group set up a "Frog Prince" oral care center and launched "Frog Prince" children's toothpaste product line that protects children's oral health according to different oral status in daytime and evening separately.

The Group also expanded its business into Wechat platform by launching a product set named "Croak Croak Box" (呱呱樂套盒) exclusively on the Wechat platform in 2015. The Group believed that the Wechat platform is, not only a new marketing channel for products, but also helpful for the advertising of the brand and products of "Frog Prince". In September 2015, "Frog Prince" was awarded as a "Champion Brand of Top Ten Categories" (十大品類冠軍品牌) granted by Chamber of Beauty & Cosmetics of National Federation of Industry & Commerce (中華全國工商聯合會美容化妝品業商會), Wechat Professional Committee of National Federation of Industry & Commerce (全國工商聯美容化妝品業商會微商專業委員會), Wechat Professional Committee of Guangdong Beauty & Cosmetic Association (廣東美容美髮化妝品行業協會微商專業委員會).

EXCELLENCE IN QUALITY CONTROL

Product quality and safety control have always been the focus of the 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. The self-owned testing laboratory of the Group is currently actively preparing and applying for the authentication of the China National Accreditation Service for Conformity Assessment (CNAS), which will demonstrate that the Group has state-recognized cosmetics physicochemical index and is qualified to perform microbiological detection. In 2015, by leveraging on the construction of the "Standardization Research Base for Cosmetic Products for Chinese Children"(中國兒童化妝品標準化研究基地), the Group, as a member of the Standardization Committee for Cosmetic Products of China Association of Fragrance Flavor and Cosmetic Industries (中國香料香精化妝品工業協會化妝品標準化委員會), actively participated in the discussion and formulation of the regulations on cosmetic products supervision and provided reasonable suggestions on the systematic management of cosmetic raw materials in China in the future and the reform proposal of cosmetic production certificate.

The excellent quality control of the Group also received external recognization. In March 2015, the Group was honored as "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 (中國質量檢驗協會). In September 2015, Frog Prince branded children's care product line was honoured as "Stable Qualified Products in National Quality Inspection" (全國品質檢驗穩定合格產品) by China Quality Inspection Association (中國質量檢驗協會). The Group was also awarded as a "Social Practice Base for Character Education of High and Primary Schools of Fujian Province" (福建省中小學質量教育社會實踐基地) by Fujian Provincial Bureau of Quality and Technical Supervision (福建省質量技術監督局), the Education Department of Fujian Province (福建省教育廳) and the Xiamen Entry and Exit Inspection and Quarantine Bureau (廈門出入境檢驗檢疫局) jointly.

CONTINUOUS INVESTMENT IN RESEARCH & DEVELOPMENT ("R&D")

In 2015, the Group continued to cooperate with the 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. The Group also cooperated with the domestically well-known R&D agencies, including but not limited to Shanghai Laibo Bio-chemical Co. Ltd. (上海萊博生物科技有限公司) and Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院), to develop products designed for alleviating children's skin problems based on the study on the characteristics of children's skin. A newly built laboratory of the research and development department of the Group with an area of 1,200 square metres was put into use in October 2015. The laboratory was equipped with advanced capabilities in chemical analysis, microbial challenge test and animal testing alternatives in R&D and applications of children's care products.

Frog Prince (China) Daily Chemicals Co., Ltd., an indirect wholly-owned subsidiary of the Company, was granted the High-New Technology Enterprise Certificate. The Group also submitted applications for patents (as of 31 December 2015, the Group possessed or was authorized for 34 patents while application for 12 patents was in process) from time to time, successful filing of which will further prove the Group's R&D capability in children's cosmetics and can protect the Group's independent intellectual property.

SOCIAL RESPONSIBILITY

On 10 February 2015, the Group worked with the China National Committee for The Wellbeing of The Youth Charity Culture Centre (中國關心下一代工作委員會公益文化中心), the China Foundation for the Development of Social Culture (中華社會文化發展基金會), the China Education Television Association (中國教育電視協會) and the Union of Chinese Talent Education Development (中國特長生教育發展聯盟) to launch the event of the Social, Art and Educational Innovation and Development of Youth Forum and the 2015 China – We Are Family Charity Project (青少年社會藝術教育創新發展論壇暨2015中華大家園公益項目). The event set up a "Frog Prince Award" to reward youth's and children's outstanding performances and to support children from poor families to participate in educational activities for students with special talents.

In February 2015, the Group, together with the China Oral Health Foundation (中國牙病防治基金會) and the Chinese Student Health News (中國學生健康報) commenced popularization classes of oral health knowledge and promoted charity classes of children's oral care knowledge by holding the event of joining Spring Festival family feast of little journalists. At the same time, the Group also held the on-site charitable sales for the "Smiling Teenager" charity programme (健康口腔，微笑少年) initiated by the China Oral Health Foundation (中國牙病防治基金會) in Longli, Guizhou Province and Qingjian, Shaanxi Province, aiming at popularizing knowledge of oral health to parents and children.

On 19 May 2015, the Group donated RMB1.50 million to China Women's Development Foundation (中國婦女發展基金會). The fund will be utilized to support the charity project titled "Safeguard the Childhood" (守護童年), which was hosted by the All China Women's Federation (全國婦聯) and co-sponsored by China Women's Development Foundation (中國婦女發展基金會) together with over 100 non-profit organizations, to commence the first CSR system of children's charity of consumer chemicals industry and to call for more caring enterprises to join the team to promote charity and jointly sign the loving proposal of "Half Day Holiday on June 1". The CSR children's charity system of Frog Prince, as the corporate social responsibility of children's charity system of Frog Prince, aims at promoting children's charity events in consumer chemicals industry and calling for more corporates to take the responsibility of caring the growth of children through combining power from charity institutions, media and corporates, by focusing on the corporate's core idea of "Power of Care" (關愛的力量) and illustrating the corporate's CSR motto "All for Children's Smile" (一切為了孩子們的微笑). Furthermore, the system also aims to promote social power of care through providing psychological services, such as "Are you loving right? – Public Lecture" (您愛對了嗎？– 公益大講堂); to promote welfare events, such as "Half Day Holiday on June 1 – Love Convention" (六一半天假 – 愛心公約); to promote the development of parent-child education, such as "First Class of Safety – Public Summer Camp" (安全第一課– 公益夏令營) and other charity projects.

On the day before 2015 "June 1" International Children's Day, the Group organized series of internal interactive experience activities for children, in which all of our employees' children received the gifts specially designed for them and various Frog Prince parent-child interactive activities were carried out.

In August 2015, the Group donated rescue products for children with an amount of RMB0.6 million through China Women's Development Foundation (中國婦女發展基金會) after the violent explosions in Development Area of Binhai New District, Tianjin.

In December 2015, the Group organized nationwide charity activities of "Safeguard the Childhood" (守護童年) together with China Women's Development Foundation (中國婦女發展基金會), through which the Group donated children's care products with an aggregate amount of RMB1 million to left-behind children and their families in poverty areas, with an aim of transmitting love and warm from Frog Prince to more and more children.

FINANCIAL REVIEW

For the year ended 31 December 2015, revenue of the Group was RMB913.7 million, representing a decrease of about 38.4% as compared with RMB1,482.5 million for the year ended 31 December 2014. During the reporting period, the revenue from children's personal care products of the Group was approximately RMB770.5 million, representing a decrease of about 41.9% over the same period of last year (31 December 2014: RMB1,325.9 million); revenue from adult's personal care products and other products including OEM products was approximately RMB143.2 million, representing a decrease of about 8.6% over the same period of last year (31 December 2014: RMB156.6 million). The Group has terminated all paper diaper business and operation in last year, and therefore no sales revenue was recorded in the non-core paper diaper business for the reporting period (31 December 2014: RMB38.9 million) since then. The decrease in revenue of the Group as compared to the same period of last year was due to a slower growth of domestic economy and a corresponding decrease in sales from distributors. The decrease in sales from distributors was mainly due to closure of some supermarket points of sales and consumers' switch of consumption habit to e-commerce. In addition, in order to allow distributors to promote the sales of our products, the Group offered more discount to distributors.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2015 was approximately RMB359.2 million, representing a drop of about 49% as compared with RMB704.6 million for the year ended 31 December 2014. During the reporting period, the gross profit margin decreased by around 8.2 percentage points over the same period of last year to about 39.3% (31 December 2014: 47.5%). The decrease of gross profit margin was mainly due to the discount provided to distributors during the second quarter of 2015.

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 RMB320.4 million for the year ended 31 December 2015, representing a decrease of about 25.6% as compared with RMB430.8 million for the year ended 31 December 2014. The selling and distribution expenses accounted for about 35.1% of the revenue during the reporting period (31 December 2014: 29.1%), among which, advertising and promotion expenses, as a percentage of revenue, increased from 21.7% for the year ended 31 December 2014 to about 25.8% for the year ended 31 December 2015, an increase of around 4.1 percentage points. The main reason for this was that the Group remained the brand building and promotion expenses although revenue of the Group decreased. The transportation expenses and other expenses, as a percentage of revenue, had increased around 1.8 percentage points to about 9.2% for the year ended 31 December 2015 (31 December 2014: 7.4%).

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, other taxes and other expenses. Administrative expenses of the Group amounted to approximately RMB95 million for the year ended 31 December 2015 (31 December 2014: RMB82.2 million), representing an increase of about 15.5%. The administrative expenses increased mainly due to the raise of salary of administrative personnel of the Group, depreciation expenses and expenses on share options during the reporting period. Administrative expenses accounted for about 10.4% of the Group's revenue for the year ended 31 December 2015 (31 December 2014: 5.5%).

Finance Costs

The Group had finance costs of RMB6,000 for the year ended 31 December 2015 (31 December 2014: Nil).

Business Combination

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 the manufacture of toothpaste products. The acquisition was for expanding the Group's oral care product line under children's personal care products. The purchase consideration for the acquisition amounted to RMB50,773,000, which was satisfied by cash, and the total identifiable net assets acquired less non-controlling interests amounted to RMB14,916,000. Accordingly, goodwill of RMB35,857,000 was resulted at the date of acquisition.

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

Net Profit and Net Profit Margin

For the year ended 31 December 2015, loss attributable to equity holders of the Company amounted to approximately RMB50.3 million as compared with profit attributable to equity holders of the Company of RMB200.4 million for the year ended 31 December 2014. The net loss margin was about 5.5% as compared with 13.5% of net profit margin for the year ended 31 December 2014, with basic loss per share of approximately RMB5.0 cents (basic earnings per share for the year ended 31 December 2014: RMB19.8 cents). This is mainly attributable to the facts that revenue of the Group decreased as mentioned above but the investments in brand building, promotion and the fixed expenses of the Company remained; secondly, attributable to a write-back of tax provision of approximately RMB40.9 million in respect of the year ended 31 December 2013 was made in 2014 and no such write-back of tax provision was made in 2015.

Capital Expenditure

For the year ended 31 December 2015, the Group's material capital expenditure amounted to approximately RMB23.7 million (31 December 2014: RMB110 million), mainly used for settling the remaining payments after the completion of the construction of phase II of the plant at the new industrial park.

Financial Resources and Liquidity

As at 31 December 2015, cash and cash equivalents of the Group amounted to approximately RMB968.8 million (31 December 2014: RMB966.6 million). The current ratio was 6.1 (31 December 2014: 6.1). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: firstly, marketing enhancement as well as brand and product promotion; secondly, the investment in e-commerce channel; and thirdly, pursuit of the potential opportunity for acquisition.

Trade Receivables Turnover Days

During the reporting period, the Group's trade receivables turnover days were 37.3 days (31 December 2014: 33.1 days), calculated as the average of the beginning and ending balances of trade receivables for the year divided by total revenue for the year and multiplied by 365 days. The Group usually grants a credit period of 30 to 60 days to our customers and therefore the trade receivables turnover days were within the normal credit period. The increase in trade receivables turnover days for the period was mainly due to the increase in the number of sales to supermarket chains and the longer payment days for these sales.

Trade and Bills Payables Turnover Days

During the reporting period, trade and bills payables turnover days came to 69.1 days (31 December 2014: 46.4 days), calculated as the average of the beginning and ending balances of trade and bills payables for the year divided by cost of sales for the year and multiplied by 365 days. 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 favorable. The Group settled its payables within one to six months in general and kept good payment records.

Inventory Turnover Days

During the reporting period, inventory turnover days of the Group came to 22.9 days (31 December 2014: 23.3 days), calculated as the average of the beginning and ending inventories for the year divided by cost of sales for the year and multiplied by 365 days. The decrease in inventory turnover days, as compared with the same period of 2014, was mainly because the Group had reduced its inventory level corresponding to the decrease in sales volume. As of 31 December 2015, the inventory balance decreased by about 36.6% over the same period of 2014.

Gearing Ratio

As of 31 December 2015, current assets of the Group were approximately RMB1,063.1 million, total assets were approximately RMB1,606.7 million, current liabilities were approximately RMB174.0 million and total liabilities were approximately RMB191.9 million. The gearing ratio (total liabilities/total assets) of the Group was approximately 11.9% (31 December 2014: 12.24%).

Bank Borrowings

As at 31 December 2015, the Group had bank borrowings of RMB50 million (31 December 2014: Nil). The above bank borrowings were paid off on 4 January 2016.

Pledge of Assets

As at 31 December 2015, the Group had pledged deposits of RMB4.5 million (31 December 2014: RMB2 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.

Capital Structure

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

Risk of Foreign Exchange

As at 31 December 2015, the Group was not exposed to any major risks from foreign exchange fluctuations and new foreign exchange forward contracts have been signed to manage the risk of foreign exchange fluctuations.

Contingent Liabilities

During the reporting period, the Group entered into a banking facility arrangement with a bank in Mainland China for providing guarantees to the bank in connection with the amounts advanced by the bank to certain of the Group's customers for the settlement of the trade balances due from these customers to the Group. As at 31 December 2015, the Group pledged deposits of RMB2,000,000 (31 December 2014: RMB2,000,000) placed with the bank for this banking facility arrangement, and executed guarantees of a total of approximately RMB36,110,000 (31 December 2014: RMB33,375,000) to the bank in connection with the amounts advanced to these customers by the bank, of which approximately RMB6,701,000 (31 December 2014: RMB17,663,000) was utilised as at 31 December 2015.

OUTLOOK

In view of the slowing growth of economy of China and the shift of spending habit of the consumers to e-commerce as well as mobile and internet shopping, and the consumers preferred foreign brands, the Group is prudently optimistic about the performance of "Frog Prince" brand on children's personal care product industry in the future.

To deal with the above unfavorable operating environment, the Group will step up efforts on differentiation and deepening of channels, increase the penetration rate in second-tier, third-tier and fourth-tier cities. At the same time, we continue to raise the market share in first-tier cities and international and domestic cross-region supermarkets, so as to increase the sales; meanwhile, the Group will combine the online and offline marketing efforts for synergic effect. We will expand into two sub-markets, i.e. e-commerce and Wechat business to achieve all-rounded coverage in an in-depth manner. The Group will also maintain the investment in the brand building, while animation culture will continue to be our differential marketing strategy to inject more cultural elements in our brand, so as to gain brand recognition from consumers.

Looking ahead, as to personal care products business segment, we will continue targeting children aged 3 to 12 so as to further promote its core "Frog Prince" brand value of "Better nourished babies, happier mothers" (孩子更滋潤、媽媽更開心) through our "Frog Prince" brand of personal care products. In addition, the Group will make use of the internal resources, to explore the different scope of business so to diverse our business, with an aim to effectively enhance the Group's profitability and shareholders' interests. At present, the Group has entered into a non-binding memorandum of understanding with an independent third-party on 12 February 2016 in respect of acquiring a domestic online travel tour booking service company. The Group will pay attention to and take into account of other investment opportunities in the field of consumption from time to time, if appropriate, the Company will made relative announcement according to the requirements of the Listing Rules.

EMPLOYEES AND REMUNERATION

As at 31 December 2015, the Group employed 1,154 employees (31 December 2014: 1,125 employees). The increase in the number of employees was mainly due to the Group acquired a toothpaste R&D and manufacture company during the reporting period, which had 141 employees as at 31 December 2015; and the number of front-line production workers decreased due to the decline of production.

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 Group 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.

To meet the urgent needs for building a team of talents to cope with the development of the Company, the Group set up an internal department named Frog Prince Business College in 2013 to provide training to employees and help them to master relevant skills. The college offered 228 courses, among which, 52 courses in business school, 130 sessions of internal training, 46 sessions of outside training, covered fields, such as corporate strategy and culture, industry overview, professional knowledge, etc, in 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

FINAL DIVIDEND

The directors of the Company do not recommend the payment of any final dividend to shareholders of the Company for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 June 2016 to 16 June 2016 (both days inclusive) for the purpose of determining the right to attend and vote at the Company's annual general meeting to be held on 16 June 2016 (the "**2016 AGM**"). In order to be entitled to attend and vote at the 2016 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied with the corresponding share certificates are lodged with the Company's branch share registrar and transfer office (i.e. Computershare Hong Kong Investor Services Limited) at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 June 2016.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's two independent non-executive directors and one non-executive director, has reviewed the consolidated financial statements of the Group for the year ended 31 December 2015, and discussed with the auditors of the Company on accounting principles and practices adopted by the Group and financial reporting matters.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules during the year ended 31 December 2015, except for code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Mr. Li Zhenhui ("**Mr. Li**") currently holds the positions of Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 22 years of experience in personal care products industry. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Li provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business strategies and decisions. 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 ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.princefrog.com.cn) and the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2015, containing all the information required by the Listing Rules, will be dispatched to the shareholders and available on the above websites in due course.

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

Zhangzhou, the PRC
29 March 2016

As at the date of this announcement, the Board comprises (i) five executive directors, namely Mr. Li Zhenhui, Mr. Xie Jinling, Mr. Ge Xiaohua, Mr. Huang Xinwen and Mr. Li Zhouxin; (ii) one non-executive director, namely Mr. Ren Yunan; and (iii) three independent non-executive directors, namely Mr. Chen Shaojun, Mr. Wong Wai Ming and Mr. Lee Man Chiu.