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 2016

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

Revenue decreased by about 41.4% over the same period in 2015 to approximately RMB269.6 million.

Gross profit decreased by about 33.5% over the same period in 2015 to approximately RMB133.5 million. Gross profit margin increased by around 5.9 percentage points over the same period in 2015 to about 49.5%.

Profit attributable to the equity holders of the Company for the period decreased by about 57.5% over the same period in 2015 to approximately RMB13.1 million; net profit margin decreased by around 2.0 percentage points over the same period in 2015 to about 4.8%.

Basic earnings per share attributable to the equity holders of the Company decreased by about 56.7% over the same period in 2015 to 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 2016 (the "**Reporting Period**") together with the unaudited comparative figures for the corresponding period in 2015 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 (the "**Audit Committee**").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
REVENUE	4	**269,598**	459,925
Cost of sales		**(136,071)**	(259,222)
Gross profit		**133,527**	200,703
Other income and gains	4	**3,711**	10,076
Selling and distribution expenses		**(67,066)**	(116,448)
Administrative expenses		**(52,512)**	(49,708)
Other operating expenses		**(1,480)**	(1,793)
PROFIT BEFORE TAX	5	**16,180**	42,830
Income tax expense	6	**(3,371)**	(11,497)
PROFIT FOR THE PERIOD		**12,809**	31,333
Attributable to:			
Equity holders of the Company		**13,085**	30,773
Non-controlling interests		**(276)**	560
		12,809	31,333
EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	8		
Basic		**RMB1.3 cents**	RMB3.0 cents
Diluted		**RMB1.3 cents**	RMB3.0 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	**12,809**	31,333
Other comprehensive income/(expense):		
Other comprehensive income/(expense) may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating operations outside Mainland China	**(8)**	119
Other comprehensive income/(expense) for the period, net of tax	**(8)**	119
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**12,801**	31,452
Attributable to:		
Equity holders of the Company	**13,077**	30,892
Non-controlling interests	**(276)**	560
	12,801	31,452

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**466,117**	477,281
Investment properties		**30,300**	30,300
Prepaid land lease payments		**14,138**	14,292
Goodwill		**18,357**	18,357
Intangible assets		**56**	183
Prepayments and deposits		**3,772**	3,179
Total non-current assets		**532,740**	543,592
CURRENT ASSETS			
Inventories		**58,171**	27,011
Trade and bills receivables	9	**144,163**	41,205
Prepayments, deposits and other receivables		**28,547**	13,603
Available-for-sale investments		**6,000**	2,008
Amount due from a related company		**1,386**	5,903
Tax recoverable		**411**	155
Pledged deposits		**5,043**	4,498
Cash and cash equivalents		**840,942**	968,757
Total current assets		**1,084,663**	1,063,140
CURRENT LIABILITIES			
Trade and bills payables	10	**104,662**	84,882
Other payables and accruals		**48,709**	32,488
Derivative financial instruments		**2,985**	–
Interest-bearing bank borrowings		**–**	50,000
Amount due to a related company		**138**	–
Tax payable		**9,850**	6,603
Total current liabilities		**166,344**	173,973
NET CURRENT ASSETS		**918,319**	889,167
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,451,059**	1,432,759

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,451,059**	1,432,759
NON-CURRENT LIABILITY			
Deferred tax liabilities		**18,223**	17,923
Net assets		**1,432,836**	1,414,836
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**8,386**	8,386
Reserves		**1,420,504**	1,402,228
		1,428,890	1,410,614
Non-controlling interests		**3,946**	4,222
Total equity		**1,432,836**	1,414,836

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 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 period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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 2015 except as described below.

In the current period, the Group has applied, for the first time, the following revised International Financial Reporting Standards ("**IFRSs**") which are effective for the Group's financial year beginning on 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

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

3. OPERATING SEGMENT INFORMATION

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

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

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

Segment assets exclude property, plant and equipment except for plant and machinery, investment properties, prepaid land lease payments, unallocated prepayments, deposits and other receivables, an amount due from a related company, 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 borrowings, an amount due to a related company, tax payable, derivative financial instruments and deferred tax liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(continued)*

	Children's personal care products *RMB'000*	Adults' personal care products *RMB'000*	Other products *RMB'000*	Total *RMB'000*
Six months ended 30 June 2016 (unaudited)				
Segment revenue:				
Sales to external customers	**227,652**	**7,632**	**34,314**	**269,598**
Segment results	**116,623**	**3,218**	**5,762**	**125,603**
Interest income derived from banks				**1,286**
Other unallocated income and gains				**2,425**
Corporate and other unallocated expenses				**(113,134)**
Profit before tax				**16,180**
Six months ended 30 June 2015 (unaudited)				
Segment revenue:				
Sales to external customers	407,571	17,510	34,844	459,925
Segment results	179,927	5,874	8,557	194,358
Interest income derived from banks				6,430
Other unallocated income and gains				3,646
Corporate and other unallocated expenses				(161,604)
Profit before tax				42,830

3. OPERATING SEGMENT INFORMATION *(continued)*

	Children's personal care products *RMB'000*	Adults' personal care products *RMB'000*	Other products *RMB'000*	Total *RMB'000*
Six months ended 30 June 2016 (unaudited)				
Segment assets	**214,775**	**4,939**	**35,660**	**255,374**
Reconciliation:				
Corporate and other unallocated assets				**1,362,029**
Total assets				**1,617,403**
Segment liabilities	**78,376**	**3,151**	**26,452**	**107,979**
Reconciliation:				
Corporate and other unallocated liabilities				**76,588**
Total liabilities				**184,567**
Year ended 31 December 2015 (audited)				
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

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:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
Sales of goods	**269,598**	459,925
Other income and gains		
Interest income derived from banks	**1,286**	6,430
Income derived from available-for-sale investments	**501**	1,413
Governments subsidies*	**278**	1,260
Net fair value gains on foreign exchange derivative financial instruments – transactions not qualified as hedges	**–**	60
Rental income	**1,061**	–
Others	**585**	913
	3,711	10,076
	273,309	470,001

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

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories sold	**136,071**	259,222
Depreciation	**15,949**	15,447
Amortisation of prepaid land lease payments	**170**	217
Amortisation of intangible assets	**127**	720
Loss on disposal of items of property, plant and equipment	**–**	249

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2015: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current – Mainland China		
Charge for the period	**3,071**	10,997
Deferred	**300**	500
Total tax charge for the period	**3,371**	11,497

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved and became effective on 1 January 2008. The PRC Corporate Income Tax Law introduced a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic and foreign-invested enterprises at 25%.

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)**"), a wholly-owned subsidiary of the Group operating in Mainland China, which is a wholly-foreign-owned enterprise, was taxed at a preferential tax rate of 15% with retrospective effect starting from the year ended 31 December 2013 for three years. The period of preferential tax rate for Frog Prince (China) expired on 31 December 2015 and accordingly the tax rate of 25% was applied to Frog Prince (China) in the current period.

Pursuant to the income tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

7. DIVIDEND

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividend declared during the period:		
Final – Nil (2015: HK5.0 cents) per ordinary share	**–**	39,887[(i)]

[(i)] In respect of the financial year ended 31 December 2014

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2016 (2015: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to the equity holders of the Company of RMB13,085,000 (2015: RMB30,773,000) and the number of ordinary shares in issue during the six months ended 30 June 2016 of 1,010,491,000 (2015: 1,010,491,000).

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 and 2015 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 and 2015.

9. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills receivables	**144,163**	41,205

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

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.

9. TRADE AND BILLS RECEIVABLES *(continued)*

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 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days	**98,188**	21,519
31 to 60 days	**29,340**	4,745
61 to 90 days	**6,929**	7,155
Over 90 days	**9,706**	7,786
	144,163	41,205

10. TRADE AND BILLS PAYABLES

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**62,731**	30,258
1 to 3 months	**25,935**	38,872
Over 3 months	**15,996**	15,752
	104,662	84,882

The trade payables are non-interest-bearing and are normally settled on terms of one to six months. As at 30 June 2016, bills payables of RMB3,043,000 (31 December 2015: RMB2,498,000) were secured by the pledge of certain of the Group's time deposits of RMB3,043,000 (31 December 2015: RMB2,498,000).

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2016, 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 about fierce competition in the market. Therefore, the revenue of the Group in the first half of 2016 decreased by about 41.4% over the corresponding period of 2015, among which, the revenue from the core children's personal care products decreased by about 44.1% over the first half of 2015. However, the Group was honoured with the following awards and recognitions in the first half of 2016:

1. In January 2016, the Group was awarded the title of "Enterprise Caring for Art Education of the Next Generation" (關心下一代藝術教育愛心企業) by 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).

2. In January 2016, the Group was awarded "2015 Medal Award for Public Welfare of China's Children and Teenagers" (2015年中國兒童少年公益事業勳章獎) by Organizing Committee for the Development of Chinese Enterprises' Public Welfare Undertakings (中國企業公益事業發展組織委員會).

3. In March 2016, the Group was awarded the titles of "Leading Brand in National Children Care Industry" (全國兒童護理行業質量領先品牌), "National Reliable Quality Product" (全國質量信得過產品) and "Excellent Enterprise for Trustworthy Quality Product and Service in China" (全國產品和服務質量誠信示範企業) by China Quality Inspection Association (中國質量檢驗協會).

4. In March 2016, "Frog Prince Anti-wrinkle and Nourishing Cream for Children" of the Group was awarded the title of "2015 Popular Skin Care Products with Good Reputation among Mothers on www.ci123.com" (2015年度育兒網媽媽口碑之選年度護膚產品人氣產品) by www.ci123.com (育兒網), Mother Zone (媽媽社區) and Pregnancy Reminder (孕期提醒).

5. In March 2016, the Group's "Prince Frog children's bath products", "Prince Frog children's toothpaste and toothbrushes" and "Prince Frog children's skin care products" respectively ranked the "first place in 2015 overall market share among similar products" appraised by China General Chamber of Commerce (中國商業聯合會) and China National Commercial Information Center (中華全國商業信息中心).

6. In May 2016, the Group was listed among the "Good Brands of China" (中國好品牌) of 21st China Beauty Expo granted by the Organization Committee of the 21st China Beauty Expo (Shanghai CBE).

7. In June 2016, the Group was awarded the "Assessment Certificate of Management System for the Integration of Informatization and Industrialization" (兩化融合管理體系評定證書) by Beijing Grand Honour Certification Co., Ltd. (北京國金衡信認證有限公司).

BUSINESS REVIEW

The Release of "China Children's Care Bluebook"

In the first half of 2016, the Group gathered experts in children's education, psychology, security, skin and oral cavity to establish the first professional committee for children's care in China, and strategically cooperated with the world's leading maternal and infant care online platform Babytree to jointly prepare "China Children's Care Bluebook" based on the big data platform of Babytree. The bluebook takes the form of children asking questions and experts giving advice and promotes basic knowledge for caring children above three years old to the society from three aspects: children's psychological health, security education and physical development. After "China Children's Care Bluebook" was released with great fanfare in Shanghai Beauty Expo in May 2016, this bluebook will also be distributed for public welfare through China Women's Development Foundation (中國婦女發展基金會). The Group is of the view that the release of "China Children's Care Bluebook" will bring practical and scientific childcare knowledge to large groups of new mothers in China and further improve popularity and reputation of the Group's brand.

Opening of the First "Prince Frog Childcare Centre"

In the first half of 2016, the Group set up the first "Prince Frog Childcare Centre" at the Qingkelong Supermarket in Daqing, Heilongjiang Province. The centre occupies an area of 30 sqm, where the whole series of Prince Frog products are displayed, and entertainment facilities, such as slides and beach ball pools are provided. The centre establishes a professional brand image for Prince Frog Childcare and will be extended to other key supermarkets in the second half of 2016. The Group also jointly plans, with a domestic renowned children's park scheming agency, to build the first parent-child amusement experiential commercial marketing platform in China for the purpose of providing families with a secure, healthy and happy shopping and amusement place and developing an innovative brand marketing mode.

Launch of Diverse Promotion Campaigns

In the first half of 2016, the Group launched the two-way interactive marketing campaigns which covered both the off-line and on-line promotions, and continued to deliver the core brand positioning of "Prince Frog Brand Specially for Children Aged 3-12" (青蛙王子更適合3-12歲兒童使用) to the customers through theme events. To name a few, the Group held nearly 100 large-scale promotional activities in approximately 70 cities of key provinces across the country under the theme of "Cheer for China, Enjoy Olympics and Win a Trip" (喝彩中國，趣享奧運遊禮) in May and June 2016; on "June 1" International Children's Day of 2016, the Group, through cooperation with Tuniu.com (途牛網), held nearly 1,200 large-scale outdoor roadshows in approximately 100 cities nationwide at the same time under the theme of "Enjoy June 1, Touring Disneyland" (玩轉六一，暢遊迪士尼) to increase brand visibility; in the meantime, based on the media preference of target consumers, the Group launched all-around brand marketing and promotion through various platforms including new media, Internet and China Railway High-speed media.

Continuous Introduction of New Products and Products Upgrading

To satisfy different needs of consumers and to respond to a continuous decrease in the sales volume of products with old package, the Group made the largest adjustments to products in the first half of 2016, including (1) releasing "Natural Herb Caring" (植愛草本) series of skin care and bath products for children, where this series of products is mainly made from natural herbs and food-grade raw materials and without any harmful chemical additives, which make the products more suitable for children's tender skin; (2) an overall upgrading of 2 key series of products of "Moisture" (倍潤) and "Mild" (自然至親); and (3) releasing of "Aiyaxing" (愛芽星) series of children's oral care products, promoting a scientific tooth care concept of "fresh and mothproof in the morning, and antibacterial and tooth strengthening at night".

Excellence in Quality Control

Products manufactured by the Group have always complied with the relevant laws and regulations, and have passed the re-certification of five key management systems, which are ISO9001 quality management system, ISO14001 environmental management system, OHSAS18001 occupational health and safety management system, ISO22716 and "Cosmetics – Guidelines on Good Manufacturing Practices" (GMPC) of the United States Food and Drug Administration in the first half of 2016.

In the first half of 2016, the Group was awarded the title of "Provincial-level Enterprise Technology Centre" by Fujian Provincial Economic and Information Technology Commission (福建省經濟和信息化委員會), Fujian Provincial Department of Science & Technology (福建省科學技術廳), Fujian Provincial Department of Finance (福建省財政廳), Fujian Provincial Office of the State Administration of Taxation (福建省國家稅務局), Fujian Local Taxation Bureau (福建省地方稅務局), Fuzhou Customs District (福州海關) and Xiamen Customs District (廈門海關), which provides a strong support to the Group to carry out technical innovation in the future.

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

In the first half of 2016, the Group continued to cooperate with the South China University of Technology (華南理工大學) on a series of scientific research projects with a view to enhance the Group's capabilities in R&D and applications of babies' and children's personal care products. In the meantime, the Group actively cooperated with leading raw material suppliers in the industry, including but not limited to BASF (巴斯夫), SOLVAY (索爾維), SYMRISE (德之馨), DOW (陶氏) and DOW CORNING (道康寧), and entered into a strategic cooperation agreement with BASF to cooperate on the basic application of new materials and new technologies in the future, thus improving the core competitiveness of the Group.

The Group's R&D center of 1,200 sqm located in Zhangzhou has been put into use, which includes advanced chemical analysis and microbiological challenge laboratory. Alternative method of animal experiments has also been widely used in R&D of children's personal care products. Capabilities in R&D and detection of the Group have also been growing, and pH value testing capability has passed verification by a third party. All of these provide a strong support for R&D of Prince Frog childcare products.

Frog Prince (China) was granted the High-New Technology Enterprise Certificate for the three years ended 31 December 2015, which was expired on 31 December 2015. The Group also submitted applications for patents (as of 30 June 2016, the Group possessed or was authorized for 59 patents while applications for 15 patents were in process in a proactive manner) from time to time, successful filing of which will further prove the Group's R&D capability in children's cosmetics and can protect the Group's independent intellectual property.

Social Responsibility

In January 2016, the Group together with China Women's Development Foundation (中國婦女發展基金會) organized the nationwide charity project titled "Safeguard the Childhood" (守護童年), and donated children's personal care products with a total value of RMB1.0 million to left-behind children and families in poor areas.

On 23 January 2016, the Group worked with China National Committee for The Wellbeing of The Youth Charity Culture Centre (中國關心下一代工作委員會公益文化中心), China Foundation for the Development of Social Culture (中華社會文化發展基金會), China Education Television Association (中國教育電視協會) and Union of Chinese Talent Education Development (中國特長生教育發展聯盟) to launch the event of the Social, Art and Educational Innovation and Development of Youth Forum and the 2016 China – We Are Family Charity Project (青少年社會藝術教育創新發展論壇暨2016中華大家園公益項目). The event set a "Prince Frog Award" to reward youth's and children's outstanding performances and to support children from poor families to participate in educational activities for students with special talents.

In June 2016, the Group donated RMB1.0 million to China Women's Development Foundation (中國婦女發展基金會) to re-launch the charity project titled "Safeguard the Childhood" (守護童年), which was hosted by the All China Women's Federation (全國婦聯) and co-sponsored by China Women's Development Foundation (中國婦女發展基金會) together with over 100 nonprofit organizations, and a charity summer camp named Prince Frog "First Class of Safety" (安全第一課) will be carried out during the summer holiday. In addition, the Group together with China Women's Development Foundation (中國婦女發展基金會) donated relief supplies with a total value of RMB300,000 to areas affected by heavy rainfall in Yancheng City, Jiangsu Province, care and love from Prince Frog for the children in affected areas were sent out in the first instance.

In the first half of 2016, the Group conducted 8 interactive experiential activities at the tourism factory that is located in Zhangzhou City, Fujian Province, enabling more children to take a closer look at Prince Frog.

FINANCIAL REVIEW

For the Reporting Period, revenue of the Group was approximately RMB269.6 million, representing a decrease of about 41.4% as compared to RMB459.9 million for the six months ended 30 June 2015. During the Reporting Period, the revenue from core children's personal care products of the Group was approximately RMB227.7 million, representing a decrease of about 44.1% over the same period of last year (for the six months ended 30 June 2015: RMB407.6 million); revenue from adults' personal care products and other products including OEM products was approximately RMB41.9 million, representing a decrease of about 20.0% over the same period of last year (for the six months ended 30 June 2015: RMB52.4 million). The decrease in revenue of the Group was due to: (1) the continuing impact of a slower growth of domestic economy and consumers' switch of consumption habit to e-commerce; (2) the launch of new series of products was postponed from the first quarter of 2016 to the end of the second quarter; and (3) more discount was offered to distributors by the Group in March 2015, which was extended to 2016.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately RMB133.5 million, representing a drop of about 33.5% as compared with RMB200.7 million for the six months ended 30 June 2015. During the Reporting Period, the gross profit margin increased by around 5.9 percentage points over the same period of last year to about 49.5% (for the six months ended 30 June 2015: 43.6%). The increase in gross profit margin was mainly due to: (1) the Group launched a new product series "Natural Herb Caring" in the second quarter of 2016, of which the gross profit margin was about 54.0% for the Reporting Period; (2) subsequent to the acquisition of Fujian Azalli Daily Chemicals Ltd. (福建愛潔麗日化有限公司) on 30 April 2015, the gross profit margin of children's toothpaste products increased due to that the production was switched to self-production from outsourced production. The gross profit margin of children's oral care products of the Group was about 46.7% for the Reporting Period, representing an increase of around 1.1 percentage points compared with 45.6% for the six months ended 30 June 2015; and (3) reduction in the promotion of combination packages by the Group compared with the same period of last year.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. For the Reporting Period, the selling and distribution expenses was approximately RMB67.1 million, representing a decrease of about 42.4% compared with RMB116.4 million for the six months ended 30 June 2015. During the Reporting Period, the selling and distribution expenses accounted for about 24.9% of revenue (for the six months ended 30 June 2015: 25.3%), among which the expenses of advertising and promotion accounted for about 11.8% of revenue for the Reporting Period, representing a decrease of around 4.0 percentage points compared with 15.8% for the six months ended 30 June 2015. The decrease was mainly due to the discount given to distributors by the Group according to the market needs starting from March 2015 in order to replace part of selling and distribution expenses and the extension of the abovementioned discount to 2016; because of the decrease in factory price of products, the transportation costs and other expenses accounted for about 13.1% of revenue for the Reporting Period, representing an increase of around 3.6 percentage points over the same period of 2015 (for the six months ended 30 June 2015: 9.5%).

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 RMB52.5 million for the Reporting Period (for the six months ended 30 June 2015: RMB49.7 million), representing an increase of about 5.6% over the same period of 2015. The administrative expenses increased mainly due to the raise of salary level of management of the Group, depreciation expenses and expenses on share options during the Reporting Period. Administrative expenses accounted for about 19.5% of the Group's revenue for the Reporting Period (for the six months ended 30 June 2015: 10.8%).

Business Combination

On 30 April 2015, the Group acquired an 80% equity interest in Fujian Azalli Daily Chemicals Ltd., a company established in the PRC and a former supplier of the Group, from an independent third party. The principal activity of Fujian Azalli Daily Chemicals Ltd. is manufacture of toothpaste products. The acquisition was for expanding the Group's oral care production line under children's personal care products. The purchase consideration for such 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, a provision of RMB17,500,000 was made for the impairment loss on 31 December 2015.

Net Profit and Net Profit Margin

For the Reporting Period, profit attributable to equity holders of the Company amounted to approximately RMB13.1 million, representing a decrease of about 57.5% as compared with RMB30.8 million for the six months ended 30 June 2015. The net profit margin decreased by around 2.0 percentage points to about 4.8% for the Reporting Period from 6.8% for the six months ended 30 June 2015, with basic earnings per share for the Reporting Period of approximately RMB1.3 cents (for the six months ended 30 June 2015: RMB3.0 cents).

Capital Expenditure

For the Reporting Period, the Group's material capital expenditure amounted to approximately RMB4.8 million (for the six months ended 30 June 2015: RMB7.8 million), mainly represented additions on plant and machinery during the Reporting Period.

Financial Resources and Liquidity

As at 30 June 2016, cash and cash equivalents of the Group amounted to approximately RMB840.9 million (31 December 2015: RMB968.8 million). The current ratio was 6.5 (31 December 2015: 6.1). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: (1) marketing enhancement as well as brand and product promotions; (2) the investment in R&D; and (3) pursuit of the potential opportunity for acquisition and other investment as and when appropriate.

Trade and Bills Receivables Turnover Days

During the Reporting Period, the Group's trade and bills receivables turnover days were 61.9 days (for the six months ended 30 June 2015: 42.9 days; for the year ended 31 December 2015: 37.3 days), calculated as the average of the beginning and ending balances of trade and bills receivables for the period/year divided by total revenue for the period/year and multiplied by 180 days (for a half year)/365 days (for a whole year). The increase in trade and bills receivables turnover days for the period was mainly because the Group usually grants a credit period of 30 to 60 days to our customers, and the Group appropriately extended the credit period for some creditworthy customers in the second quarter of 2016.

Trade and Bills Payables Turnover Days

During the Reporting Period, trade and bills payables turnover days came to 125.4 days (for the six months ended 30 June 2015: 76.6 days; for the year ended 31 December 2015: 69.1 days), calculated as the average of the beginning and ending balances of trade and bills payables for the period/year divided by cost of sales for the period/year and multiplied by 180 days (for a half year)/365 days (for a whole year). The increase in trade and bills payables turnover days was mainly because the Group pre-stocked in June for the peak season of OEM products this year, resulting in an increase of about 9.6% of balance of trade and bills payables as at 30 June 2016 as compared with the same period of 2015. 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 56.3 days (for the six months ended 30 June 2015: 33.0 days; for the year ended 31 December 2015: 22.9 days), calculated as the average of the beginning and ending balances of inventories for the period/year divided by cost of sales for the period/year and multiplied by 180 days (for a half year)/365 days (for a whole year). The increase in inventory turnover days, as compared with the same period of 2015, was mainly because the Group pre-stocked in June for the peak season of OEM products this year, resulting in an increase of about 11.0% of balance of inventories as at 30 June 2016 as compared with the same period of 2015.

Gearing Ratio

As at 30 June 2016, current assets and total assets of the Group were approximately RMB1,084.7 million and approximately RMB1,617.4 million respectively, and current liabilities and total liabilities were approximately RMB166.3 million and approximately RMB184.6 million respectively. The gearing ratio (total liabilities/total assets) of the Group was about 11.4% (as at 30 June 2015: 12.5%).

Bank Borrowings

As at 30 June 2016, the Group had no bank borrowings (as at 31 December 2015: RMB50 million).

Pledge of Assets

As at 30 June 2016, the Group had pledged deposits of RMB5.0 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 (as at 31 December 2015: RMB4.5 million).

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 maximize the shareholders' interests. The Group continued to emphasize the appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital cost.

Risk of Foreign Exchange

As at 30 June 2016, the Group was not exposed to any major risks from foreign exchange fluctuations and new foreign exchange forward contracts have been signed to manage risks 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 30 June 2016, the Group had pledged deposits of RMB2,000,000 (as at 31 December 2015: RMB2,000,000) placed with the bank for this banking facility arrangement, and executed guarantees of a total of approximately RMB36,110,000 (as at 31 December 2015: RMB36,110,000) to the bank in connection with the amounts advanced to these customers by the bank, of which approximately RMB611,000 (as at 31 December 2015: RMB6,701,000) had been utilized as at 30 June 2016.

OUTLOOK

Given the slowdown of China's economic growth, and the consumption habits of Chinese consumers have been switched, including: (i) the switch of consumption patterns to electronic commerce and mobile Internet; and (ii) the decline of brand loyalty of consumers, the Group is prudent to the future performance of "Prince Frog" brand in children's personal care product industry.

In response to the above adverse business environment, the Group will strengthen the promotion of the offline terminal sales to avoid further decline in sales revenue; meanwhile, the Group will synchronise online and offline marketing to generate synergy in an effort to develop two sub-markets, i.e. e-commerce business and Webchat, so as to explore new growth points of the Group's revenue. In terms of products, the Group will comprehensively upgrade the existing products, and the Group is also ready to face the gradual impacts on revenue in the process of upgrading products; the Group will also maintain its investment in brand building and continue to make use of an animated cartoon culture as its differentiated marketing strategy. The Group plans to invest in new animation production and carry out other peripheral businesses of animation in the second half of 2016, so as to infuse the brand with more cultural connotations.

Looking ahead, within the scope of personal care products, we will continue to develop our "Prince Frog" brand of personal care products targeting children aged 3 to 12 so as to further promote its core "Prince Frog" brand value of "Better nourished babies, happier mothers" (孩子更滋潤、媽媽更開心). In addition, 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, as appropriate, the Group will make an announcement according to the requirements of the Listing Rules as and when appropriate.

EMPLOYEES AND REMUNERATION

As at 30 June 2016, the Group employed 2,020 employees (as at 31 December 2015: 1,154 employees; and as at 30 June 2015: 2,130 employees). The increase in the number of employees as compared with that of 31 December 2015 was mainly because the Group employed 788 temporary workers and summer interns in June 2016, mainly in order to coordinate the needs for packing OEM gift 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 Group in June 2011 to reward staff members who make contributions to the success of the Group. The directors of the Company believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

To meet the urgent needs for building a team of talents to cope with the rapid development of the Company, the Group set up a Prince Frog Business College in 2013 to provide training to employees and help them to master relevant skills. The college offered 42 courses, which covered fields like corporate strategy and culture, industry overview, professional knowledge, etc. in the first half of 2016.

DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend to shareholders of the Company for the Reporting Period.

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 Reporting Period.

AUDIT COMMITTEE

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (Appendix 10 to the Listing Rules, the "**Model Code**") as its code of conduct governing securities transactions by directors 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 Reporting Period.

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 Reporting Period, 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 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 EVENTS

There were no material events occurred subsequent to the Reporting Period.

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 2016, containing all the information required by the Listing Rules, will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Zhangzhou, the PRC
29 August 2016

As at the date of this announcement, the Board comprises (i) five executive directors, namely Mr. Li Zhenhui, Mr. Ge Xiaohua, Mr. Huang Xinwen, Mr. Li Zhouxin and Mr. Tsai Wallen; (ii) one non-executive director, namely Mr. Ren Yunan; and (iii) three independent non-executive directors, namely Mr. Wong Wai Ming, Mr. Tang Shuo and Mr. Tsao Benedict.