

中國兒童護理有限公司

China Child Care Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1259



INTERIM REPORT **2017**



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tsai Wallen (*Chairman & Chief Executive Officer*)

Mr. Huang Xinwen

Mr. Ma Chi Ming

Non-executive Directors

Mr. Li Zhouxin

Mr. Ren Yunan

Independent Non-executive Directors

Mr. Tsao Benedict

Ms. Chan Sze Man

Mr. Ma Kwun Yung Stephen

BOARD COMMITTEES

Audit Committee

Ms. Chan Sze Man (*Chairman*)

Mr. Tsao Benedict

Mr. Ma Kwun Yung Stephen

Nomination Committee

Ms. Chan Sze Man (*Chairman*)

Mr. Tsao Benedict

Mr. Ma Kwun Yung Stephen

Remuneration Committee

Mr. Ma Kwun Yung Stephen (*Chairman*)

Mr. Ma Chi Ming

Ms. Chan Sze Man

COMPANY SECRETARY

Ms. So Yee Kwan

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

Agricultural Bank of China Limited – Zhangzhou Branch

Bank of Communications Co., Ltd. – Hong Kong Branch

STOCK CODE

1259

COMPANY WEBSITE

www.princefrog.com.cn

REGISTERED OFFICE

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Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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Lantian Economic Development Zone

Zhangzhou City, Fujian Province

The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

Royal Bank House – 3rd Floor

24 Shedden Road, P.O. Box 1586

Grand Cayman, KY-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

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17/F, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW

Personal Care Products

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

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

Money Lending Business

The Group commenced its money lending business in the fourth quarter of 2016, and the target customers of the Group were those who seek for loans of significant amount and are able to provide guarantees for relevant loans. During the period under review, this business segment generated interest income of approximately RMB16.3 million and recorded a segment profit of approximately RMB7.5 million. An aggregate loan of approximately RMB168.7 million with average effective interest rate of approximately 26.1% per annum had been granted by the Group up to 30 June 2017. As at 30 June 2017, the loan receivable of the Group amounted to approximately RMB91.4 million. All the loans granted by the Group were secured by mortgages, charge on shares or charge on assets. In the event of default or failure to repay any outstanding amounts by the debtors, the Group will proceed with sale of collaterals.

Operation of an Online Platform

During the period under review, the operation of online platform focusing on the children, babies and parents (the "CBP") contributed a total revenue of approximately RMB8.9 million to the Group, and recorded a profit of approximately RMB6.6 million. The board of directors of the Company (the "Board") believes that this business can create synergy to existing businesses of the Group, including the promotion of "Frog Prince" and other PRC CBP brands in Hong Kong market at MyBB.com.hk ("MYBB"), the promotion of MYBB CBP information platform in the PRC market through "Frog Prince", and the integration of online to offline operations thus broaden the Group's revenue streams.

Management Discussion and Analysis (continued)

Trading of Commodities

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

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

Securities Investment Business

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

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

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

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

Management Discussion and Analysis (continued)

Properties holding

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

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

FINANCIAL REVIEW

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

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

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

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

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

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

Management Discussion and Analysis (continued)

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

Selling and Distribution Expenses

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

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

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

Management Discussion and Analysis (continued)

Administrative Expenses

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

Finance Costs

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

Acquisitions

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

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

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

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

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

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

Management Discussion and Analysis (continued)

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

On 30 April 2015, the Group acquired 80% equity interests in Fujian Azalli Daily Chemicals Ltd. (福建愛潔麗日化有限公司) (the "Acquired Company"), a company established in the PRC and a former supplier of the Group, from an independent third party. The principal activity of the Acquired Company is manufacture of toothpaste products. Such acquisition was for expanding the oral care product line under children's personal care products category of the Group. The consideration for the acquisition amounted to RMB50,773,000, which was satisfied by cash, and the total identifiable net assets acquired less non-controlling interests amounted to RMB14,916,000. Accordingly, goodwill of RMB35,857,000 was recognised at the date of acquisition. An accumulated impairment loss of RMB19,500,000 was provided as at 30 June 2017.

Disposal

On 21 December 2016, Frog Prince (China) Daily Chemicals Co., Limited (青蛙王子(中國)日化有限公司("Frog Prince (China)")), a wholly-foreign-owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, Fujian Herun Supply Chain Management Co., Limited (福建和潤供應鏈管理有限公司) ("Fujian Herun", a company established in the PRC with limited liability), and Shenzhen Qianhai Wosheng Asset Management Centre (Limited Partnership) (深圳前海沃升資產管理中心(有限合夥)) ("Wosheng", a limited partnership formed in the PRC) entered into a capital increase agreement, pursuant to which Wosheng agreed to make a capital contribution of RMB33,000,000 to Fujian Herun. An amount of RMB18,439,000 (being the proportionate share of the carrying amount of the net assets of Fujian Herun) has been transferred to non-controlling interests. The difference of RMB14,561,000 between the increase in the non-controlling interests and the consideration has been credited to retained earnings. Following the completion of the capital increase, the Group's interest in Fujian Herun was diluted from 100% to 75%, resulting in a deemed disposal of 25% equity interest in Fujian Herun by the Group. Upon completion of the capital increase, Fujian Herun remains as a subsidiary of the Company, and its financial results and position continue to be consolidated into the consolidated financial statements of the Company.

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

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

Management Discussion and Analysis (continued)

Net Loss and Net Loss Margin

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

Capital Expenditure

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

Financial Resources and Liquidity

As at 30 June 2017, cash and cash equivalents of the Group amounted to approximately RMB317.3 million (31 December 2016: RMB614.5 million). The current ratio was 3.3 (31 December 2016: 3.4). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: firstly, strengthening the marketing and promotion for brand and products; secondly, developing money lending business; and thirdly, pursuing of the potential opportunity for acquisition and other investment in a timely manner.

Loan and Interest Receivable

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

Trade and Bills Receivables

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

Management Discussion and Analysis (continued)

Trade and Bills Payables

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

Inventories

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

Gearing Ratio

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

Bank Borrowing

As at 30 June 2017, the Group had bank borrowing of RMB107.7 million (31 December 2016: RMB110.9 million). Facilities were made by the Group with banks for Hong Kong borrowings with a pledged bank deposit in the PRC.

Pledge of Assets

As at 30 June 2017, the Group had pledged deposits of RMB125.6 million (31 December 2016: RMB124.9 million) for short-term borrowings and bills payable.

Capital Structure

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

Management Discussion and Analysis (continued)

Risk of Foreign Exchange

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

Contingent Liabilities

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

OUTLOOK

The Group will continue to strengthen, develop and diversify its business portfolio and to further establish a sustainable investment portfolio. Personal care products business is still the core of the Group's business portfolio. New businesses and existing business, including money lending business, operation of an online platform and trading of commodities are developing on an on-going basis, and their proportions in the Group's business portfolio may increase.

Given the slowdown of China's economic growth, and the consumption habits of Chinese consumers have been switched, including: (i) the switch of consumption patterns to electronic commerce and mobile internet; and (ii) the decline of brand loyalty of consumers, the Group is prudent to the future performance of our own brand in personal care product industry. In response to the above adverse business environment, the Group will continue to strengthen the promotion of sales to avoid further decline in sales revenue. Meanwhile, the Group will review the current investment and the return to avoid the continuous loss of personal care products business.

Looking ahead, the Group expects that the money lending business will record a high growth. The Group will invest more financial resources to expand this business in the future, including possible promotion and marketing through media platform. The Group may consider putting certain marketing efforts to promote our brand through various public media. Looking forward, we will expand the business into the personal loan market. In view of the uncertain economy outlook, the Group will operate and expand the business in a cautious and risk-balanced manner to maintain a balanced portfolio. The Group will also expand the mortgage business to corporate clients.

The Group will make better use of internal resources to expand businesses of different scopes to make the Group's business more diversified and to improve the profitability of the Group and the interests of shareholders more effectively. The Group will notice and consider from time to time other investment opportunities, and as appropriate. The Company will make an announcement according to the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as and when appropriate.

Management Discussion and Analysis (continued)

EMPLOYEES AND REMUNERATION

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

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

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

DIVIDEND

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

Unaudited Condensed Consolidated Interim Financial Statements

The board of directors (the "Board") of China Child Care Corporation Limited (the "Company") hereby presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2017 together with the unaudited comparative figures for the corresponding period in 2016 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Other comprehensive income/(expense):			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Mainland China		(7,730)	(8)
Increase in gain on disposal of investment properties directly transferred to retained profits			
– Asset revaluation reserve		7,157	–
– Deferred tax liabilities realised		2,386	–
		9,543	–
Other comprehensive income/(expense) for the period		1,813	(8)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD		(28,668)	12,801
Attributable to:			
Equity holders of the Company		(29,247)	13,077
Non-controlling interests		579	(276)
		(28,668)	12,801
(Loss)/earnings per share attributable to the equity holders of the Company	10		
Basic		RMB(3.1) cents	RMB1.3 cents
Diluted		N/A	RMB1.3 cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	438,820	452,109
Investment properties		142,873	23,000
Investment in associates		16,000	–
Prepaid land lease payments		13,799	13,969
Goodwill	12	99,614	99,614
Intangible assets		564	593
Available-for-sale investments		12,887	–
Loan and interest receivables	15	33,433	7,329
Promissory note receivable		58,487	–
Prepayments and deposits		5,139	2,864
		821,616	599,478
CURRENT ASSETS			
Inventories		25,230	30,852
Loan and interest receivables	15	63,443	118,012
Trade and bills receivables	16	75,514	134,058
Prepayment, deposits and other receivables		140,800	42,590
Available-for-sale investments		30,976	15,300
Financial assets at fair value through profit or loss	17	94,081	–
Amount due from a related company		4,884	7,418
Amounts due from non-controlling interests		421	–
Pledged bank deposits		125,584	124,866
Cash and cash equivalents			
– Cash held by securities brokers		95,524	–
– Bank balances and cash		221,806	614,462
		878,263	1,087,558

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	18	81,806	93,695
Other payables and accruals		20,917	102,386
Interest-bearing bank borrowing		107,682	110,919
Amounts due to associates		34,915	–
Amount due to a non-controlling interest		3,089	–
Amount due to a director		–	399
Derivative financial liabilities		–	1,826
Tax payable		15,674	9,710
		264,083	318,935
NET CURRENT ASSETS		614,180	768,623
TOTAL ASSETS LESS CURRENT LIABILITIES		1,435,796	1,368,101
NON-CURRENT LIABILITIES			
Deferred tax liabilities	19	14,600	17,923
Net assets		1,421,196	1,350,178
EQUITY			
Share capital	20	9,694	8,386
Reserves		1,332,344	1,316,602
Equity attributable to equity holders of the Company		1,342,038	1,324,988
Non-controlling interests		79,158	25,190
Total equity		1,421,196	1,350,178

Tsai Wallen
Director

Ma Chi Ming
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to equity holders of the Company											
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Statutory reserve fund RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (audited)	8,386	448,802	31,550	11	7,157	110,615	16	7,268	711,183	1,324,988	25,190	1,350,178
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(32,492)	(32,492)	2,011	(30,481)
Other comprehensive (expense)/income												
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	-	(6,298)	-	(6,298)	(1,432)	(7,730)
Increase in gain on disposal of investment properties (note)												
- asset revaluation reserve	-	-	-	-	(7,157)	-	-	-	7,157	-	-	-
- deferred tax liabilities realised	-	-	-	-	-	-	-	-	2,386	2,386	-	2,386
Total comprehensive (expenses)/income for the period	-	-	-	-	(7,157)	-	-	(6,298)	(22,949)	(36,404)	579	(35,825)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	71,200	71,200
Issue of new shares	1,308	47,769	-	-	-	-	-	-	-	49,077	-	49,077
Share issue expenses	-	(27)	-	-	-	-	-	-	-	(27)	-	(27)
Recognition of equity-settled share-based payments	-	-	4,404	-	-	-	-	-	-	4,404	-	4,404
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(17,811)	(17,811)
Transferred to retained profits upon forfeiture of share options	-	-	(302)	-	-	-	-	-	302	-	-	-
At 30 June 2017 (unaudited)	9,694	496,544	35,652	11	-	110,615	16	970	688,536	1,342,038	79,158	1,421,196

Note: The investment properties were previously included in the property, plant and equipment with their revaluation reserve recognised in asset revaluation reserve.

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2016

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Capital reserve	Asset revaluation reserve	Statutory reserve fund	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (audited)	8,386	448,802	22,317	11	7,157	110,615	16	5,879	807,431	1,410,614	4,222	1,414,836
Profit/(loss) for the period	-	-	-	-	-	-	-	-	13,085	13,085	(276)	12,809
Other comprehensive (expense)/income												
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	-	(8)	-	(8)	-	(8)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	(8)	13,085	13,077	(276)	12,801
Equity-settled share option arrangements	-	-	5,199	-	-	-	-	-	-	5,199	-	5,199
At 30 June 2016 (unaudited)	8,386	448,802	27,516	11	7,157	110,615	16	5,871	820,516	1,428,890	3,946	1,432,836

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Net cash used in operating activities		(134,487)	(68,948)
Investing activities			
Increase in available-for-sale investments		(29,768)	(3,992)
Increase in investment in promissory note receivables		(59,800)	–
Increase in financial assets at fair value through profit or loss		(87,831)	–
Acquisition of subsidiaries	13	(22,115)	–
Proceed from disposal of subsidiaries	14	27,677	–
Other cash flows from/(used in) investing activities		7,776	(5,422)
Net cash used in investing activities		(164,061)	(9,414)
Net cash used in a financing activity		–	(50,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(298,548)	(128,362)
Cash and cash equivalents at beginning of period		614,462	968,757
Effect of foreign exchange rate changes, net		1,416	547
CASH AND CASH EQUIVALENTS AT END OF PERIOD		317,330	840,942
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		317,330	840,942

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

China Child Care Corporation Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 11 January 2011. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in the People's Republic of China (the "Mainland China" or the "PRC") is located at No. 8, North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province, the PRC.

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing and sale of personal care products, money lending, operation of an online platform, trading of commodities, investment in securities, properties holding and investment holding.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2016 except as described below.

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

3. OPERATING SEGMENT INFORMATION

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

- (a) Personal care products – manufacture and sale of skin care, body and hair care, oral care and diaper and tissue products
- (b) Money lending
- (c) Operation of an online platform
- (d) Trading of commodities
- (e) Investment in securities
- (f) Properties holding

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

Segment assets exclude unallocated prepayments, deposits and other receivables, available-for-sale investments, tax recoverable, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude unallocated other payables and accruals, interest-bearing bank borrowing, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

3. OPERATING SEGMENT INFORMATION (continued)

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

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

4. REVENUE

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

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

5. OTHER INCOME AND GAINS

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

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

6. FINANCE COSTS

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

7. (LOSS)/PROFIT BEFORE TAX

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

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

Note:

- (a) In addition to the amounts disclosed above, the depreciation and employee benefits expenses of RMB10,209,000 (six months ended 30 June 2016: RMB9,459,000) and RMB15,235,000 (six months ended 30 June 2016: RMB13,433,000) respectively are included in the cost of inventories sold amounted to RMB228,627,000 (six months ended 30 June 2016: RMB136,071,000) shown above.
- (b) The research and development costs for the six months ended 30 June 2017 include an amount of RMB1,309,000 (six months ended 30 June 2016: RMB1,630,000) relating to rental expenses of a research and development centre and staff costs for research and development activities, which is also included in the total amounts disclosed above for each of these types of expenses.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

8. INCOME TAX EXPENSES

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

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

PRC subsidiaries, except for 青蛙王子(中國)日化有限公司 (“Frog Prince (China)”) are subject to PRC Enterprise Income Tax at 25% of the profit assessable to tax for both of the periods presented.

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

9. DIVIDEND

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

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

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

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

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

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

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
At beginning of period/year, net of accumulated depreciation	452,109	477,281
Additions, at cost	8,595	7,431
Disposals	(5,025)	(720)
Depreciation provided for the period/year	(16,186)	(31,883)
Eliminated upon disposal of subsidiaries	(612)	–
Exchange realignment	(61)	–
At end of period/year, net of accumulated depreciation	438,820	452,109

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

12. GOODWILL

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Cost		
At 1 January	139,114	35,857
Arising from acquisition of subsidiaries	–	103,257
At 30 June / 31 December	139,114	139,114
Accumulated impairment losses		
At 1 January	39,500	17,500
Impairment loss	–	22,000
At 30 June / 31 December	39,500	39,500
Net carrying amount	99,614	99,614

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

13. ACQUISITION OF SUBSIDIARIES

- (a) Acquisition of subsidiaries for the six months ended 30 June 2017

Acquisition of Apex Magic International Limited ("Apex Magic")

On 27 April 2017, the Company entered into an agreement with a third party for the acquisition of 100% equity interest in Apex Magic for a consideration of HK\$79,000,000. Completion of the acquisition took place on 24 May 2017 and the consideration for the acquisition was satisfied by the payment in cash amounted to HK\$25,000,000 (equivalent to RMB22,115,000) with the remaining balance of HK\$54,000,000 (equivalent to RMB47,768,000) by the issue of 147,945,000 new shares of the Company. The fair value of the shares issued is estimated to be RMB49,077,000 at the date of issue, which is calculated based on the closing market price of the Company's share at the issue date.

Apex Magic, being an investment holding company, holds 50% equity interest in Jumbo Excel Investment Corporation ("Jumbo Excel"). Pursuant to the acquisition agreement, the Group is in a position to exercise control over Jumbo Excel, Jumbo Excel is regarded a subsidiary of Apex Magic upon the completion of the acquisition.

Jumbo Excel is an investment holding company, which holds 100% equity interest in three companies with limited liabilities, the principal assets of which are investment properties located in Hong Kong.

No business has been undertaken by Jumbo Excel and its subsidiaries since their dates of incorporation. Accordingly, the acquisition of Apex Magic and its subsidiaries (comprising Jumbo Excel and its subsidiaries) is accounted for as acquisition of assets.

The Group has elected to measure the non-controlling interest in Apex Magic at the non-controlling interest's proportionate share of the identifiable net assets of Apex Magic.

Assets and liabilities recognised at the acquisition date:

	<i>RMB'000</i>
Assets	
Investment properties	145,538
Liabilities	
Other payables	(3,146)
Total identifiable net assets acquired	142,392

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

13. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries for the six months ended 30 June 2017 (continued)

	<i>RMB'000</i>
Representing	
Consideration transferred	
– Cash paid by the Group	22,115
– Shares issued by the Company	<u>49,077</u>
	71,192
Non-controlling interests	<u>71,200</u>
	<u><u>142,392</u></u>

An analysis of cash flows in respect of the acquisition of the subsidiaries is as follows:

	<i>RMB'000</i>
Consideration paid in cash	(22,115)
Cash and cash equivalents acquired	<u>–</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u><u>(22,115)</u></u>

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

13. ACQUISITION OF SUBSIDIARIES (continued)

- (b) Acquisition of subsidiaries during the year ended 31 December 2016

Acquisition of Marvel Paramount Holdings Limited ("Marvel")

On 9 December 2016, the Group acquired 51% equity interest in Marvel, a limited company established in the British Virgin Islands, from an independent third party for the cash consideration of HK\$117,000,000 (equivalent to RMB104,010,000). Marvel is an investment holding company and through its subsidiary, MyBB Media Company Limited, is principally engaged in the operation of an internet online platform.

The Group has elected to measure the non-controlling interest in Marvel at the non-controlling interest's proportionate share of identifiable net assets of Marvel and its subsidiary.

Pursuant to the related acquisition agreement, guarantees have been given by the vendor to the Company that the net profit after tax of Marvel and its subsidiary for each of the two financial years ending 31 March 2017 and 31 March 2018 shall not be less than HK\$8,000,000 and HK\$16,000,000 respectively.

On the other hand, in the event that the Marvel and its subsidiary fails to meet the guaranteed profit for the two financial years ending 31 March 2017 and 2018, the vendor shall pay the Company a compensation which is calculated as specified in the acquisition agreement. Management is of the view that receipt of the compensation from the vendor, if any, is beyond reasonable doubt, accordingly such compensation has not been recognised in the consolidated financial statements. Details regarding the acquisition of Marvel by the Group are set out in the announcement dated 8 December 2016 made by the Company.

The acquisition of Marvel is accounted for as business combination, assets and liabilities recognised at the acquisition date:

	<i>RMB'000</i>
Assets	
Inventories	72
Trade receivables	927
Prepayments, deposits and other receivables	590
Tax recoverable	12
Cash and cash equivalents	31
	1,632
Liabilities	
Trade and bills payables	13
Other payables and accruals	143
	156
Total identifiable net assets acquired	1,476

The trade receivables acquired had gross contractual amount of RMB927,000.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

13. ACQUISITION OF SUBSIDIARIES (continued)

- (b) Acquisition of subsidiaries during the year ended 31 December 2016 (continued)

Acquisition of Marvel Paramount Holdings Limited ("Marvel") (continued)

	<i>RMB'000</i>
Goodwill arising on acquisition	
Consideration transferred	104,010
Non-controlling interests	723
Less: Fair value of identifiable net assets acquired	<u>(1,476)</u>
Goodwill arising on acquisition	<u><u>103,257</u></u>

The goodwill is mainly attributable to the future cash flows to be derived from the operation of the internet online platform.

The Group incurred insignificant transaction costs for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	<i>RMB'000</i>
Consideration paid in cash	(104,010)
Cash and cash equivalents acquired	<u>31</u>
Net outflow of cash and cash equivalents	<u><u>(103,979)</u></u>

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

14. DISPOSAL OF SUBSIDIARIES

Disposal of Fujian Herun and its subsidiary

On 5 May 2017, Frog Prince (China), an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose of 45% equity interest in a subsidiary, 福建和潤供應鏈管理有限公司 (“Fujian Herun”), for an aggregate cash consideration of RMB100,000,000. The disposal was completed on 30 June 2017 and the Group retained 30% equity interest in Herun after the disposal, which is accounted for as an associate.

	<i>RMB'000</i>	<i>RMB'000</i>
Net assets disposed of:		
Property, plant and equipment (Note 11)		612
Inventories		14,427
Trade and bills receivables		19,270
Prepayments, deposits and other receivables		20,499
Amount due from group company		34,915
Cash and cash equivalents		2,323
Trade and bills payables		(1,561)
Other payables and accruals		(52,260)
		<u>38,225</u>
Cash consideration		100,000
Fair value of equity interest retained		16,000
		116,000
Less: Net assets disposed of	38,225	
Non-controlling interests	(17,811)	20,414
		<u>95,586</u>

An analysis of the cash flow from the disposal of subsidiaries is as follows:

	<i>RMB'000</i>
Cash consideration received	30,000
Cash and cash equivalents disposed of	(2,323)
	<u>27,677</u>

The consideration for disposal to the extent of RMB30,000,000 was received by the Group up to 30 June 2017 and the remaining balance of the consideration receivable of RMB70,000,000, which was included in other receivables, was fully settled in cash by the purchaser in July 2017.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

15. LOAN AND INTEREST RECEIVABLES

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

Movement during the period/year are as follows:

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

16. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 <i>RMB'000</i> (unaudited)	31 December 2016 <i>RMB'000</i> (audited)
Financial assets at fair value through profit or loss		
– Unlisted convertible bonds	57,138	–
– Equity securities listed in Hong Kong	36,943	–
	94,081	–

18. TRADE AND BILLS PAYABLES

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

19. DEFERRED TAX LIABILITIES

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.

At 30 June 2017, there were no significant unrecognised deferred tax liabilities (31 December 2016: Nil) for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiaries expected to be distributed, after considering the abovementioned factors, in the foreseeable future.

20. SHARE CAPITAL

	Number of ordinary shares '000	30 June 2017 RMB'000 (unaudited)	Number of ordinary shares '000	31 December 2016 RMB'000 (audited)
Authorised: Ordinary shares of HK\$0.01 each	5,000,000	41,524	5,000,000	41,524
Issued and fully paid: Ordinary shares of HK\$0.01 each At 1 January	1,010,491	8,386	1,010,491	8,386
Issue of shares on acquisition of subsidiaries (Note)	147,945	1,308	–	–
Ordinary shares of HK\$0.01 each At 30 June/31 December	1,158,436	9,694	1,010,491	8,386

Note:

On 27 April 2017, the Company entered into an agreement with a third party for the acquisition of 100% equity interest in Apex Magic, 147,945,000 new shares were issue as part of the consideration upon completion (note 13).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

21. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include, among others, the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group and the Company's shareholders. The Scheme was conditionally approved on 22 June 2011, and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Scheme became effective on 15 July 2011 upon the listing of the Company's shares on the Main Board of the Stock Exchange. The limit of the Scheme was refreshed on 30 June 2017.

The maximum number of shares which may be issued upon exercise of options granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue as at 30 June 2017. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting.

The grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding the independent non-executive director who or whose associate is the grantee of the option). In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

21. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme at the end of the reporting period:

	30 June 2017		31 December 2016	
	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>
At 1 January	1.43	81,093	2.05	40,746
Granted during the period/year	0.38	15,300	0.81	41,137
Forfeited during the period/year	1.19	(918)	1.65	(790)
At 30 June/31 December	1.26	95,475	1.43	81,093

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

21. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

30 June 2017 Number of options '000	Exercise price HK\$ per share	Exercise period
8,940	1.92	14-10-2012 to 13-10-2021
7,258	2.94	21-06-2013 to 20-06-2022
23,690	1.83	26-09-2015 to 25-09-2024
30,587	0.81	18-01-2016 to 27-12-2025
9,700	0.81	20-01-2016 to 27-12-2025
15,300	0.38	24-05-2017 to 23-05-2027
95,475		

31 December 2016 Number of options '000	Exercise price HK\$ per share	Exercise period
8,940	1.92	14-10-2012 to 13-10-2021
7,276	2.94	21-06-2013 to 20-06-2022
23,990	1.83	26-09-2015 to 25-09-2024
31,187	0.81	18-01-2016 to 27-12-2025
9,700	0.81	20-01-2016 to 27-12-2025
81,093		

The Group recognised share option expenses of a total RMB4,404,000 (2016: RMB5,199,000) during the six months ended 30 June 2017.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

21. SHARE OPTION SCHEME (continued)

The fair values of equity-settled share options granted during the six months ended 30 June 2017 were estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share options granted on 24 May 2017
Dividend yield (%)	–
Expected volatility (%)	43.63
Risk-free interest rate (%)	1.318
Expected life of options (year)	10
Price of the Company's shares at date of grant (HK\$ per share)	0.375

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the period under review, the Company had 95,475,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 95,475,000 additional ordinary shares of the Company which would give use to the total proceeds of HK\$120,303,000.

Up to the date of approval of these condensed consolidated interim financial statements, the Company had 95,475,000 share options outstanding under the Scheme, which represented approximately 8.2% of the Company's shares in issue as at that date.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

22. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements. No leases for properties are negotiated at 30 June 2017 (31 December 2016: terms ranging from one to three years).

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	–	1,229
	–	1,229

(b) As lessee

The Group leases certain of its warehouses and office premises under operating lease arrangements. Leases for properties are negotiated for terms of two to five years (31 December 2016: three months to three years) with an option for renewal after that date, at which times all terms will be renegotiated.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	3,500	804
In the second to fifth years, inclusive	11,775	536
	15,275	1,340

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Contracted, but not provided for:		
Purchase of items of property, plant and equipment	5,126	1,116

24. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2017 and 31 December 2016.

25. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

	Note	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Related companies:			
Sales of products	(a)	357	–
Purchases of products	(b)	9,399	6

Note:

- (a) Sales to a related company, Shuangfei Daily Chemicals (USA) Inc., which is controlled by Mr. Li Zhenhui and Mr. Xie Jinling, former directors of the Company, were made on mutually agreed terms.
- (b) Purchases from a related company, Fujian Shuangfei Daily Chemicals Co., Ltd, which is controlled by Mr. Li Zhenhui and Mr. Xie Jinling, former directors of the Company, were made on mutually agreed terms.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2017

25. RELATED PARTY TRANSACTIONS (continued)

- (ii) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Short term employee benefits	1,814	1,665
Post-employment benefits	23	14
Equity-settled share option expense	280	1,481
Total compensation paid to key management personnel	2,117	3,160

The related party transactions in respect of item (i) above constituted connected transaction or continuing connected transactions, as defined in Chapter 14A of the Listing Rules.

26. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

- (i) On 4 July 2017, the Group entered into a loan agreement with certain third parties, pursuant to which the Group made a loan amounted to HK\$75 million to such third parties. The loan carries interest at 12% per annum with the maturity period of 12 months from the date of the loan agreement.
- (ii) On 19 July 2017, the Group entered into a loan agreement with certain third parties, pursuant to which the Group made a loan amounted to HK\$95 million to such third parties. The loan carries interest at 16% per annum with the maturity period of 36 months from the date of the loan agreement.
- (iii) On 25 August 2017, the Group entered into a memorandum of understanding (the "MOU") with Shanghai Xuan Long Investment Management Co., Limited (上海炫龍投資管理有限公司) ("Shanghai Xuan Long") and Shanghai Xuan Gao Culture Communication Co., Limited (上海炫高文化傳播有限公司) ("Shanghai Xuan Gao", together with Shanghai Xuan Long, the "Parties") in relation to (a) the proposed formation of a joint venture (the "Joint Venture") for the development, operations and management of an integrated indoor and outdoor theme park in the PRC and (b) the proposed provision of the Group's children's personal care products to the Joint Venture. Pursuant to the MOU, the Joint Venture will be owned as to 80% by the Group and 20% by the Parties. Up to the date of approval of the condensed consolidated interim financial statements, the Joint Venture has not been formed and no capital contribution to the Joint Venture had been made by the Group.

27. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 29 August 2017.

Supplementary Information to the Interim Report

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Details of movements of the Company's share options, granted under the share option scheme, during the six months ended 30 June 2017 are as follows:

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2017	Exercise period (Note 2)
			Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
Executive Director Mr. Huang Xinwen	14 October 2011	1.92	300,000	-	-	-	-	300,000	B
			300,000	-	-	-	-	300,000	C
			600,000	-	-	-	-	600,000	
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D
			240,000	-	-	-	-	240,000	E
			240,000	-	-	-	-	240,000	F
				800,000	-	-	-	800,000	
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
				1,000,000	-	-	-	1,000,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
300,000			-	-	-	-	300,000	K	
300,000			-	-	-	-	300,000	L	
			1,000,000	-	-	-	1,000,000		
<i>Sub-total</i>			<i>3,400,000</i>	-	-	-	<i>3,400,000</i>		

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options				Forfeited/ lapsed during the period	Outstanding as at 30 June 2017	Exercise period (Note 2)
			Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period			
Non-executive Directors									
Mr. Li Zhouxin (re-designated from executive director on 30 June 2017)	21 June 2012	2.94	90,000	-	-	-	-	90,000	E
			90,000	-	-	-	-	90,000	F
			180,000	-	-	-	-	180,000	
	26 September 2014	1.83	120,000	-	-	-	-	120,000	G
			90,000	-	-	-	-	90,000	H
			90,000	-	-	-	-	90,000	I
			300,000	-	-	-	-	300,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
			1,000,000	-	-	-	-	1,000,000	
<i>Sub-total</i>			<i>1,480,000</i>	-	-	-	-	<i>1,480,000</i>	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2017	Exercise period (Note 2)
			Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
Non-executive Directors (continued)									
Mr. Ren Yunan	14 October 2011	1.92	40,000	-	-	-	-	40,000	A
			30,000	-	-	-	-	30,000	B
			30,000	-	-	-	-	30,000	C
			100,000	-	-	-	-	100,000	
	21 June 2012	2.94	40,000	-	-	-	-	40,000	D
			30,000	-	-	-	-	30,000	E
			30,000	-	-	-	-	30,000	F
			100,000	-	-	-	-	100,000	
	26 September 2014	1.83	80,000	-	-	-	-	80,000	G
			60,000	-	-	-	-	60,000	H
			60,000	-	-	-	-	60,000	I
			200,000	-	-	-	-	200,000	
	18 January 2016	0.81	1,400,000	-	-	-	-	1,400,000	J
			1,050,000	-	-	-	-	1,050,000	K
			1,050,000	-	-	-	-	1,050,000	L
			3,500,000	-	-	-	-	3,500,000	
<i>Sub-total</i>			<i>3,900,000</i>	-	-	-	-	<i>3,900,000</i>	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options				Forfeited/ lapsed during the period	Outstanding as at 30 June 2017	Exercise period (Note 2)
			Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period			
Former Directors									
Mr. Li Zhenhui (resigned on 27 January 2017)	14 October 2011	1.92	800,000	-	-	-	-	800,000	A
			600,000	-	-	-	-	600,000	B
			600,000	-	-	-	-	600,000	C
			2,000,000	-	-	-	-	2,000,000	
	21 June 2012	2.94	144,000	-	-	-	-	144,000	D
			108,000	-	-	-	-	108,000	E
			108,000	-	-	-	-	108,000	F
			360,000	-	-	-	-	360,000	
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	1,000,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
			1,000,000	-	-	-	-	1,000,000	
<i>Sub-total</i>			4,360,000	-	-	-	-	4,360,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options				Forfeited/ lapsed during the period	Outstanding as at 30 June 2017	Exercise period (Note 2)
			Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period			
Former Directors (continued)									
Mr. Ge Xiaohua (retired on 15 June 2017)	14 October 2011	1.92	300,000	-	-	-	-	300,000	B
			300,000	-	-	-	-	300,000	C
			600,000	-	-	-	-	600,000	
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D
			240,000	-	-	-	-	240,000	E
			240,000	-	-	-	-	240,000	F
			800,000	-	-	-	-	800,000	
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	1,000,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
			1,000,000	-	-	-	-	1,000,000	
<i>Sub-total</i>			<i>3,400,000</i>	-	-	-	-	<i>3,400,000</i>	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2017	Exercise period (Note 2)
			Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
Former Directors (continued)									
Mr. Xie Jinling (resigned on 19 July 2016) (also a substantial shareholder)	14 October 2011	1.92	400,000	-	-	-	-	400,000	A
			300,000	-	-	-	-	300,000	B
			300,000	-	-	-	-	300,000	C
			1,000,000	-	-	-	-	1,000,000	
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D
			240,000	-	-	-	-	240,000	E
			240,000	-	-	-	-	240,000	F
			800,000	-	-	-	-	800,000	
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	1,000,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
			1,000,000	-	-	-	-	1,000,000	
<i>Sub-total</i>			<i>3,800,000</i>	-	-	-	-	<i>3,800,000</i>	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2017	Exercise period (Note 2)
			Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
Former Directors (continued)									
Ms. Hong Fang (resigned on 27 January 2016)	14 October 2011	1.92	400,000	-	-	-	-	400,000	A
			300,000	-	-	-	-	300,000	B
			300,000	-	-	-	-	300,000	C
			1,000,000	-	-	-	-	1,000,000	
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D
			240,000	-	-	-	-	240,000	E
			240,000	-	-	-	-	240,000	F
			800,000	-	-	-	-	800,000	
	26 September 2014	1.83	1,200,000	-	-	-	-	1,200,000	G
			900,000	-	-	-	-	900,000	H
			900,000	-	-	-	-	900,000	I
			3,000,000	-	-	-	-	3,000,000	
	18 January 2016	0.81	1,200,000	-	-	-	-	1,200,000	J
			900,000	-	-	-	-	900,000	K
			900,000	-	-	-	-	900,000	L
			3,000,000	-	-	-	-	3,000,000	
<i>Sub-total</i>			<i>7,800,000</i>	-	-	-	-	<i>7,800,000</i>	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2017	Exercise period (Note 2)
			Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
Former Directors (continued)									
Mr. Chen Shaojun (resigned on 4 May 2016)	14 October 2011	1.92	40,000	-	-	-	-	40,000	A
			30,000	-	-	-	-	30,000	B
			30,000	-	-	-	-	30,000	C
			100,000	-	-	-	-	100,000	
	21 June 2012	2.94	40,000	-	-	-	-	40,000	D
			30,000	-	-	-	-	30,000	E
			30,000	-	-	-	-	30,000	F
			100,000	-	-	-	-	100,000	
	26 September 2014	1.83	80,000	-	-	-	-	80,000	G
			60,000	-	-	-	-	60,000	H
			60,000	-	-	-	-	60,000	I
			200,000	-	-	-	-	200,000	
	18 January 2016	0.81	80,000	-	-	-	-	80,000	J
			60,000	-	-	-	-	60,000	K
			60,000	-	-	-	-	60,000	L
			200,000	-	-	-	-	200,000	
<i>Sub-total</i>			<i>600,000</i>	-	-	-	-	<i>600,000</i>	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2017	Exercise period (Note 2)
			Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
Former Directors (continued)									
Mr. Wong Wai Ming (resigned on 11 November 2016)	14 October 2011	1.92	40,000	-	-	-	-	40,000	A
			30,000	-	-	-	-	30,000	B
			30,000	-	-	-	-	30,000	C
			100,000	-	-	-	-	100,000	
	21 June 2012	2.94	40,000	-	-	-	-	40,000	D
			30,000	-	-	-	-	30,000	E
			30,000	-	-	-	-	30,000	F
			100,000	-	-	-	-	100,000	
	26 September 2014	1.83	80,000	-	-	-	-	80,000	G
			60,000	-	-	-	-	60,000	H
			60,000	-	-	-	-	60,000	I
			200,000	-	-	-	-	200,000	
	18 January 2016	0.81	80,000	-	-	-	-	80,000	J
			60,000	-	-	-	-	60,000	K
			60,000	-	-	-	-	60,000	L
			200,000	-	-	-	-	200,000	
<i>Sub-total</i>			<i>600,000</i>	-	-	-	-	<i>600,000</i>	
Mr. Lee Man Chiu (resigned on 20 May 2016)	18 January 2016	0.81	80,000	-	-	-	-	80,000	J
			60,000	-	-	-	-	60,000	K
			60,000	-	-	-	-	60,000	L
<i>Sub-total</i>			<i>200,000</i>	-	-	-	-	<i>200,000</i>	
Total for directors			29,540,000	-	-	-	-	29,540,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2017	Exercise period (Note 2)
			Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
Employees of the Group in aggregate	14 October 2011	1.92	352,400	-	-	-	-	352,400	A
			1,525,800	-	-	-	-	1,525,800	B
			1,561,800	-	-	-	-	1,561,800	C
				3,440,000	-	-	-	3,440,000	
	21 June 2012	2.94	773,600	-	-	-	-	773,600	D
			1,231,200	-	-	-	(9,000)	1,222,200	E
			1,231,200	-	-	-	(9,000)	1,222,200	F
				3,236,000	-	-	(18,000)	3,218,000	
	26 September 2014	1.83	6,436,000	-	-	-	(120,000)	6,316,000	G
			4,827,000	-	-	-	(90,000)	4,737,000	H
			4,827,000	-	-	-	(90,000)	4,737,000	I
				16,090,000	-	-	(300,000)	15,790,000	
18 January 2016	0.81	7,634,600	-	-	-	(240,000)	(7,394,600)	J	
		5,725,950	-	-	-	(180,000)	(5,545,950)	K	
		5,725,950	-	-	-	(180,000)	(5,545,950)	L	
			19,086,500	-	-	(600,000)	18,486,500		
24 May 2017	0.38	-	15,300,000	-	-	-	15,300,000	P	
Total for employees			41,852,500	15,300,000	-	(918,000)	56,234,500		
Distributors of the Group in aggregate	20 January 2016	0.81	3,880,000	-	-	-	-	3,880,000	M
			2,910,000	-	-	-	-	2,910,000	N
			2,910,000	-	-	-	-	2,910,000	O
Total for distributors			9,700,000	-	-	-	9,700,000		
TOTAL			81,092,500	15,300,000	-	(918,000)	95,474,500		

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Notes:

1. The closing prices of the Company's shares immediately before the dates of grant on 14 October 2011, 21 June 2012, 26 September 2014, 18 January 2016, 20 January 2016 and 24 May 2017 were HK\$1.98, HK\$2.94, HK\$1.86, HK\$0.64, HK\$0.67 and HK\$0.36, respectively.
2. The respective exercise periods of the share options granted are as follows:
 - A: From 14 October 2012 to 13 October 2021
 - B: From 14 October 2013 to 13 October 2021
 - C: From 14 October 2014 to 13 October 2021
 - D: From 21 June 2013 to 20 June 2022
 - E: From 21 June 2014 to 20 June 2022
 - F: From 21 June 2015 to 20 June 2022
 - G: From 26 September 2015 to 25 September 2024
 - H: From 26 September 2016 to 25 September 2024
 - I: From 26 September 2017 to 25 September 2024
 - J: From 18 January 2017 to 27 December 2025
 - K: From 18 January 2018 to 27 December 2025
 - L: From 18 January 2019 to 27 December 2025
 - M: From 20 January 2017 to 27 December 2025
 - N: From 20 January 2018 to 27 December 2025
 - O: From 20 January 2019 to 27 December 2025
 - P: From 24 May 2017 to 23 May 2027

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

3. The number and/or exercise price of the options may be subject to adjustments in the case of rights or bonus issues, or other changes in the Company's share capital.

Supplementary Information to the Interim Report (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the interests of the directors of the Company in the shares and underlying shares of the Company, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code", Appendix 10 to the Listing Rules), to be notified to the Company and the Stock Exchange, were as follows:

A. Long positions in the ordinary shares of the Company

<u>Name of director</u>	<u>Nature of interests</u>	<u>Number of ordinary shares interested</u>	<u>Percentage⁺ of the Company's issued share capital</u>
Mr. Huang Xinwen	Beneficial owner	400,000	0.03%
Mr. Ren Yunan	Beneficial owner	100,000	0.01%

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2017.

B. Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

<u>Name of director</u>	<u>Nature of interests</u>	<u>Number of underlying shares interested</u>	<u>Percentage⁺ of underlying shares over the Company's issued share capital</u>
Mr. Huang Xinwen	Beneficial owner	3,400,000	0.29%
Mr. Li Zhouxin	Beneficial owner	1,480,000	0.13%
Mr. Ren Yunan	Beneficial owner	3,900,000	0.34%

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2017.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2017, none of the directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Supplementary Information to the Interim Report (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

A. Long positions in the ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of ordinary shares interested	Percentage ⁺ of the Company's issued share capital
Golden Sparkle Limited	Beneficial owner (Note 1)	263,308,500	22.73%
Mr. Lai Wai Lam Ricky	Interest of controlled corporation (Note 1)	263,308,500	22.73%
Jinlin Investment Company Limited	Beneficial owner (Note 2)	140,383,500	12.12%
Mr. Xie Jinling	Interest of controlled corporation (Note 2)	140,383,500	12.12%
Mr. Lam Chi Man	Beneficial owner	91,945,000	7.94%
Elite Beauty International Trading (Hong Kong) Co., Limited	Beneficial owner (Note 3)	80,000,000	6.91%
Mr. Li Liang	Interest of controlled corporation (Note 3)	80,000,000	6.91%

Notes:

- These shares were held by Golden Sparkle Limited, a controlled corporation of Mr. Lai Wai Lam Ricky. Accordingly, Mr. Lai Wai Lam Ricky was deemed to be interested in these shares pursuant to Part XV of the SFO.
- These shares were held by Jinlin Investment Company Limited, a controlled corporation of Mr. Xie Jinling. Accordingly, Mr. Xie Jinling was deemed to be interested in these shares pursuant to Part XV of the SFO.
- These shares were held by Elite Beauty International Trading (Hong Kong) Co., Limited, a controlled corporation of Mr. Li Liang. Accordingly, Mr. Li Liang was deemed to be interested in these shares pursuant to Part XV of the SFO.

⁺ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2017.

Supplementary Information to the Interim Report (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

- B. Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of substantial shareholder	Nature of interests	Number of underlying shares interested	Percentage* of underlying shares over the Company's issued share capital
Mr. Xie Jinling	Beneficial owner	3,800,000	0.328%
Mr. Li Liang	Beneficial owner	30,000	0.003%

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2017.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2017, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct governing transactions in the Company's securities by directors of the Company. All directors of the Company have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard set out in the Model Code during the period under review.

COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 June 2017.

Supplementary Information to the Interim Report (continued)

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2017, except for code provision A.2.1, which stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

During the six months ended 30 June 2017, Mr. Tsai Wallen, the Company's Chairman of the Board, assumed the functions of Chief Executive Officer of the Company. Mr. Tsai has extensive experience in management and over 30 years of business experience. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Tsai provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive in the same person will not impair the balance of power and authority between the Board and the management of the Company. Subsequent to the period ended 30 June 2017, Mr. Tsai was appointed as the Chief Executive Officer of the Company on 11 August 2017.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company are set out as follow:

- Mr. Ren Yunan was appointed as an independent non-executive director of International Entertainment Corporation, a company listed on the Main Board of the Stock Exchange (stock code: 1009), on 15 May 2017.
- Ms. Chan Sze Man resigned as an independent non-executive director of Millennium Pacific Group Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8147), on 17 July 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's three independent non-executive directors, has reviewed the unaudited condensed consolidated results of the Company for the six months ended 30 June 2017, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.

Supplementary Information to the Interim Report (continued)

CORPORATE COMMUNICATIONS

In accordance with the Listing Rules, the Company has ascertained shareholders' wishes regarding their preferences on the language (i.e. English and/or Chinese) and means of receipt (i.e. in printed form or via the Company's website) of the Company's corporate communications[#]. Shareholders who have chosen/are deemed to have chosen to receive the corporate communications via the Company's website, and who for any reason have difficulty in receiving or gaining access to the Company's corporate communications will promptly upon request be sent the corporate communications in printed form free of charge. Shareholders have the right at any time to change their choice of language and means of receipt of the Company's corporate communications.

Shareholders may request for printed copy of the Company's corporate communications or change their choice of language and means of receipt of the Company's corporate communications by sending reasonable prior notice in writing to the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Shareholders may also send such a notice by email to prince.ecom@computershare.com.hk.

Shareholders who have chosen to receive the corporate communications in either English or Chinese version will receive both English and Chinese versions of this interim report since both languages are bound together into one booklet.

[#] The Company's corporate communications refer to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to: (a) annual report; (b) interim report; (c) notice of meeting; (d) listing document; (e) circular; and (f) form of proxy.