

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



China Child Care · Grow Up With You

2015
INTERIM REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Zhenhui (*Chairman & Chief Executive Officer*)

Mr. Xie Jinling

Mr. Ge Xiaohua

Mr. Huang Xinwen

Ms. Hong Fang

Independent Non-executive Directors

Mr. Chen Shaojun

Mr. Ren Yunan

Mr. Wong Wai Ming

BOARD COMMITTEES

Audit Committee Members

Mr. Wong Wai Ming (*Chairman*)

Mr. Chen Shaojun

Mr. Ren Yunan

Nomination Committee Members

Mr. Ren Yunan (*Chairman*)

Mr. Chen Shaojun

Mr. Wong Wai Ming

Remuneration Committee Members

Mr. Ren Yunan (*Chairman*)

Mr. Li Zhenhui

Mr. Wong Wai Ming

JOINT COMPANY SECRETARIES

Ms. Huang Yishan

Ms. So Yee Kwan

AUDITORS

Ernst & Young

PRINCIPAL BANKER

Agricultural Bank of China Limited

Zhangzhou Branch

STOCK CODE

1259

COMPANY WEBSITE

www.princefrog.com.cn

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 8, North Wuqiao Road

Lantian Economic Development Zone

Zhangzhou City, Fujian Province

The People's Republic of China



Corporate Information (continued)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 602A-3, 6/F
Ocean Centre, Harbour City
5 Canton Road, Tsimshatsui
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong



Management Discussion and Analysis

In the first half of 2015, the growth in consumption has been slowing down due to the sluggish growth of the domestic economy; meanwhile, the concept, structure and mode of consumption had undergone great changes, which brought about fierce competition in the market. Therefore, the revenue for the first half of 2015 decreased by about 21.2% over the corresponding period of 2014, among which, the revenue from the core children's personal care products decreased by about 18.1% over the first half of 2014. China Child Care Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") were honoured with the following awards and recognitions in the first half of 2015:

- In January 2015, the Group was awarded as a "National Experiential Education Base for the Wellbeing of the Youth" (全國關心下一代生活體驗教育基地) by China National Committee for the Wellbeing of the Youth (中國關心下一代工作委員會).
- In February 2015, the Group was accredited as Year 2014–2016 International Famous Brand to be Fostered and Developed by Fujian Province (2014-2016年度福建省重點培育和發展的國際知名品牌) by the Department of Commerce of Fujian Province (福建省商務廳).
- In March 2015, the children's skin care products, the children's bath products and the children's toothpaste and toothbrushes of the "Frog Prince" brand ranked the "first place in 2014 overall market share among similar products" jointly appraised and elected by China General Chamber of Commerce (中國商業聯合會) and China National Commercial Information Centre (中華全國商業信息中心).
- In March 2015, Mr. Li Zhenhui, the chairman of the board of directors of the Company (the "Board"), was honoured as the "Deputy Chairman of the Wechat Business Entrepreneurs Federation of China Beauty Expo" (中國美容博覽會微商聯合會副會長) and the "Deputy Chairman of Brand Alliance of the 20th China Beauty Expo" (第二十屆中國美容博覽會品牌聯盟副主席) by the Organization Committee of the 20th China Beauty Expo (Shanghai CBE) (第二十屆中國美容博覽會(上海CBE)組委會).
- In May 2015, the Group was awarded as a "Social Practice Base for Character Education of High and Primary Schools of Fujian Province" (福建省中小學質量教育社會實踐基地) by Fujian Provincial Bureau of Quality and Technical Supervision (福建省質量技術監督局), the Education Department of Fujian Province (福建省教育廳) and the Xiamen Entry and Exit Inspection and Quarantine Bureau (廈門出入境檢驗檢疫局) jointly.
- In May 2015, the children's moisturizer, the children's moisturizing shampoo and the children's moisturizing bath lotion of the "Frog Prince" brand were exclusively awarded the "Best Products for Pregnant Women, Infants and Children" at the 2015 Meiyi Best Children's Care Products Award (2015美伊最佳兒童護理大獎的唯一「最佳孕嬰童產品獎」) by the Organization Committee of the 20th China Beauty Expo (Shanghai CBE) (第二十屆中國美容博覽會(上海CBE)組委會).



Management Discussion and Analysis (continued)

BUSINESS REVIEW

Accurate brand advertising

In the first half of 2015, based on the media preference of target consumers, the Group launched all-round brand marketing and promotion through various platforms including new media, TV media, Internet and China Railway High-speed (“CRH”) media. The Group continued its close cooperation with the popular TV show “Where Are We Going, Dad?” (《爸爸去哪儿》) of Hunan TV in which the “Frog Prince” brand was designated as the only children’s personal care product supplier for the third season of “Where Are We Going, Dad?”. The Group believed that the theme concept of “Where Are We Going, Dad?”, i.e. spending more time and giving more care to children, aligned with the “Frog Prince” brand philosophy, and the third cooperation will further improve the recognition and reputation of the brand. The Group was also the title sponsor for the CRH travelling between Fuzhou and Beijing in the name of Frog Prince, aiming to fully display the brand and enhance social attention to it by leveraging the effective advertising of CRH media.

Differentiated animation marketing strategies

The three-series animation of the Group has been popular on online video platforms, including Youku (www.youku.com), Tudou (www.tudou.com), Tencent (v.qq.com), iQIYI.COM (www.iqiyi.com) and Letv (www.letv.com). As of 30 June 2015, the accumulative click rate approximated to 60 million times. In the first half of 2015, the Group upgraded the cartoon image of Frog Prince and applied the updated cartoon image in the design and promotional materials of new products; the Group also developed a brand new 3D cartoon image of Frog Prince laying a foundation for the future development of more vivid promotional products and derivatives. Such 3D cartoon has been widely used in decorating the Group’s new industrial park to deliver an animation experience. In addition, interactive events were carried out in shopping malls to attract consumers’ attention, including setting up an inflated castle in the theme of Frog Prince’s cartoon and arranging sales team to dress up as Frog Prince and interact with consumers. In January 2015, the Group entered into a proposal with Hangzhou Magic Mall Animation Production Co., Ltd. (杭州漫奇妙動漫製作有限公司) in respect of establishing a joint-venture animation company to cooperate in various areas such as animation production, children’s education, charity events, dramas, large-scale events and fast moving consumer goods in order to deepen the animation culture of Frog Prince and enhance competitive advantages of the Group’s differentiated marketing.



Management Discussion and Analysis (continued)

Launch of diverse promotion campaigns

In the first half of 2015, the Group launched the two-way interactive marketing campaigns which covered both the on-line and off-line promotions. Through theme events delivering the core brand positioning of “Frog Prince Brand Specially for Children Aged 3-12” (青蛙王子更適合3-12歲兒童使用) to the consumers, the brand image was enhanced comprehensively. To name a few, the Group held nearly 2,000 large-scale promotional activities in more than 1,500 key stores located in approximately 200 cities of key provinces across the country under the theme of “Grow up with new requirements, care with wonderful gifts” (成長新要求，關愛更有禮) in March and May 2015, respectively; the Group launched large-scale roadshows in over 75 cities nationwide under the theme of “Where Are We Going on June 1, Dad? – Parent-Child Happiness Nourishing My Growth” (爸爸，六一去哪兒—六一親子樂，滋潤我成長) on “June 1” International Children’s Day in 2015; and as a continuation of the “Frog Prince” brand concept of being companion alongside children’s healthy growth, the Group encouraged parents spending more time and giving more care to their children by promoting the “Half-day Holiday on June 1” (六一半天假) through online platform and new media platforms.

Continuous launch of new products

In the first half of 2015, to adapt to the ever-changing market and satisfy different needs of consumers, the Group launched 3 new series of products in fields of children’s skin care and bath products, including natural moisturizing products of “Frog Prince” brand with “moisture, safety, natural” as the core selling point, and the wheat germ product line and freshly extracted essence product line of “Frog Prince” brand which contain innovative ingredients. The Group also expanded its business into Wechat platform by launching a product set named “Croak Croak Box” (呱呱樂套盒) exclusively on the Wechat platform in the first half of 2015. The Group believed that the Wechat platform, not only as a new marketing channel for products, but also is helpful for the advertising of the brand and products of “Frog Prince”.

Boosting sales in oral care products

In order to achieve better development of the business in children’s toothpaste and strengthen the research and development capability of children’s toothpaste products, the Group made an acquisition of a well-known domestic enterprise engaged in the research and development of toothpaste in the first half of 2015, and jointly developed a “Frog Prince” children’s toothpaste product line that protects children’s oral health according to different oral status in daytime and evening separately.



Management Discussion and Analysis (continued)

EXCELLENCE IN QUALITY CONTROL

Product quality and safety control have always been the focus of the management of the Group. All the babies' and children's personal care products currently produced by the Group not only meet the national standards of the People's Republic of China (the "PRC"), but also comply with the requirements on the safety and specification for cosmetic products of the European Union. The production base located in the new industrial park of the Group has passed the "Cosmetics – Guidelines on Good Manufacturing Practices (2008)" Certification System and "ISO22716: 2007 (e) Cosmetics – Good Manufacturing Practices Standards (GMP)" of the United States Food and Drug Administration. Quality inspection is in place for all major production procedures, with routine and spot checks on all raw materials, semi-products and finished products to ensure perfect quality. The self-owned testing laboratory of the Group is currently actively preparing and applying for the authentication of the China National Accreditation Service for Conformity Assessment (CNAS), which will demonstrate that the Group has state recognized cosmetics physicochemical index and is qualified to perform microbiological detection. In the first half of 2015, by leveraging on the construction of the "Standardization Research Base for Cosmetic Products for Chinese Children" (中國兒童化妝品標準化研究基地), the Group, as a member of the Standardization Committee for Cosmetic Products of China Association of Fragrance Flavor and Cosmetic Industries (中國香料香精化妝品工業協會化妝品標準化委員會), actively participated in the discussion and formulation of the regulations on cosmetic products supervision and providing reasonable suggestions on the systematic management of cosmetic raw materials in China in the future and the reform proposal of cosmetic production certificate.

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

In the first half of 2015, the Group continued to cooperate with the South China University of Technology on a series of scientific research projects with a view to enhance the Group's capabilities in R&D and applications of babies' and children's personal care products. In the meantime, the Group actively cooperated with leading raw material suppliers in the industry, including but not limited to BASF (巴斯夫), SOLVAY (索爾維), SYMRISE (德之馨), DOW (陶氏) and DOW CORNING (道康寧), to develop more natural and moisturizing products, thus to improve the core competitiveness of the Group. The Group also cooperated with the domestically well-known R&D agencies, including but not limited to Shanghai Laibo Bio-chemical Co. Ltd. and Shanghai Institute of Pharmaceutical Industry, to develop products designed for alleviating children's skin problems based on the study on the characteristics of children's skin.

Frog Prince (China), an indirect wholly-owned subsidiary of the Company, was granted the High-New Technology Enterprise Certificate. The Group also submitted applications for patents (as of 30 June 2015, the Group possessed or was authorized for 22 patents while application for 17 patents was in process) from time to time, successful filing of which will further prove the Group's R&D capability in children's cosmetics and can protect the Group's independent intellectual property.



Management Discussion and Analysis (continued)

SOCIAL RESPONSIBILITY

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

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

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

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



Management Discussion and Analysis (continued)

FINANCIAL REVIEW

For the six months ended 30 June 2015, revenue of the Group was approximately RMB459.9 million, representing a decrease of about 21.2% as compared to RMB583.7 million for the six months ended 30 June 2014. During the reporting period, the revenue from core children's personal care products of the Group was approximately RMB407.6 million, representing a decrease of about 18.1% over the same period of last year (for the six months ended 30 June 2014: RMB497.7 million); revenue from adult's personal care products and other products including OEM products was approximately RMB52.4 million, representing a decrease of about 9.0% over the same period of last year (for the six months ended 30 June 2014: RMB57.6 million). The Group has terminated all paper diaper business and operation on 1 January 2015, and therefore no sales revenue was recorded in the non-core paper diaper business for the reporting period (for the six months ended 30 June 2014, revenue from this segment was RMB28.5 million) since then. The decrease in revenue of the Group was due to a slower growth of domestic economy and a corresponding decrease in sales from distributors. The decrease in sales from distributors was mainly due to closure of some supermarket points of sales and consumers' switch of consumption habit to e-commerce. In addition, in order to allow distributors to promote the sales of our products, the Group offered more discount to distributors to replace part of sales and distribution expenses.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the six months ended 30 June 2015 was approximately RMB200.7 million, representing a drop of about 27.9% as compared with RMB278.2 million for the six months ended 30 June 2014. During the reporting period, the gross profit margin decreased by around 4.1 percentage points over the same period of last year to about 43.6% (for the six months ended 30 June 2014: 47.7%). The decrease of gross profit margin was mainly due to the discount provided to distributors during the second quarter of 2015. However, the gross profit margin of children's oral care products of the Group for the six months ended 30 June 2015 was about 45.6%, representing an increase of around 1.5 percentage points compared with 44.1% for the six months ended 30 June 2014. This is mainly due to the switch to self-production of toothpaste products from outsourced production.



Management Discussion and Analysis (continued)

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. For the six months ended 30 June 2015, the selling and distribution expenses was approximately RMB116.4 million, representing a decrease of about 22.2% compared with RMB149.6 million for the six months ended 30 June 2014. During the reporting period, the selling and distribution expenses accounted for about 25.3% of revenue (for the six months ended 30 June 2014: 25.6%), among which the expenses from advertising and promotion accounted for about 15.8% of revenue for the six months ended 30 June 2015, representing a decrease of around 1.8 percentage points compared with 17.6% for the six months ended 30 June 2014. The decrease was mainly due to the discount given to distributors by the Group according to the market needs of the second quarter of 2015 in order to replace part of sales and distribution expenses; because of the decrease of factory price, the expenses of transportation costs and other expenses accounted for about 9.5% of revenue for the six months ended 30 June 2015, representing an increase of around 1.4 percentage points over the same period of 2014 (for the six months ended 30 June 2014: 8.1%).

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, other taxes and other expenses. Administrative expenses of the Group amounted to approximately RMB49.7 million for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB40.5 million), representing an increase of about 22.7%. The administrative expenses increased mainly due to the raise of salary of management of the Group, depreciation expenses and expenses on share options during the reporting period. Administrative expenses accounted for about 10.8% of the Group's revenue for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 6.9%).

Finance Costs

For the six months ended 30 June 2015, the Group has no finance costs (for the six months ended 30 June 2014: Nil).



Management Discussion and Analysis (continued)

Business Combination

On 30 April 2015, the Group acquired a 80% equity interest in 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 manufacturing of toothpaste products. The acquisition was for expanding the Group’s oral care product line under children’s personal care products. The purchase consideration for the acquisition amounted to RMB50,773,000, which was satisfied by cash, and the total identifiable net assets acquired less non-controlling interests amounted to RMB14,651,000. Accordingly, goodwill of RMB36,122,000 was resulted at the date of acquisition.

Net Profit and Net Profit Margin

For the six months ended 30 June 2015, profit attributable to equity holders of the Company amounted to approximately RMB30.8 million, representing a decrease of about 73.8% as compared with RMB117.5 million for the six months ended 30 June 2014. The net profit margin decreased by around 13.3 percentage points to about 6.8% from 20.1% for the six months ended 30 June 2014, with basic earnings per share of approximately RMB3.0 cents (for the six months ended 30 June 2014: RMB11.6 cents). Firstly, this was due to a write-back of tax provision of approximately RMB40.9 million in respect of the year ended 31 December 2013 was made during the first half of 2014 and there was no such write-back of tax provision made during the first half of 2015. Secondly, as mentioned above, the administrative expenses increased by about 22.7%.

Capital Expenditure

For the six months ended 30 June 2015, the Group’s material capital expenditure amounted to approximately RMB7.8 million (for the six months ended 30 June 2014: RMB34.9 million), mainly used for settling the remaining payments after the completion of the construction of phase II of the plant at the new industrial park.



Management Discussion and Analysis (continued)

Financial Resources and Liquidity

As at 30 June 2015, cash and cash equivalents of the Group amounted to approximately RMB963.5 million (31 December 2014: RMB966.6 million). The current ratio was 5.8 (31 December 2014: 6.1). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: firstly, marketing enhancement as well as brand and product promotions; secondly, the investment in R&D including construction of new R&D laboratory and R&D of new products; and thirdly, pursuit of the potential opportunity for acquisition and other investment as and when appropriate.

Trade Receivables Turnover Days

During the reporting period, the Group's trade receivables turnover days were 42.9 days (for the six months ended 30 June 2014: 38.7 days; for the year ended 31 December 2014: 33.1 days), calculated as the average of the beginning and ending balances of trade receivables for the period/year divided by total revenue for the period/year and multiplied by 180 days (for a half year)/365 days (for a whole year). The Group usually grants a credit period of 30 to 60 days to our customers and therefore the trade receivables turnover days were within the normal credit period. The increase in trade receivables turnover days for the period was mainly due to the Group's increase in its direct sales through some of supermarket chain stores and the longer payment days for direct sales.

Trade and Bills Payables Turnover Days

During the reporting period, trade and bills payables turnover days came to 76.6 days (for the six months ended 30 June 2014: 59.5 days; for the year ended 31 December 2014: 46.4 days), calculated as the average of the beginning and ending balances of trade and bills payables for the period/year divided by cost of sales for the period/year and multiplied by 180 days (for a half year)/365 days (for a whole year). The increase in trade and bills payables turnover days was mainly because the Group strengthened its bargaining power by conducting bulk procurements with the suppliers, and therefore the relevant payment terms in contracts became more favorable. The Group settled its payables within one to six months in general and kept good payment records.



Management Discussion and Analysis (continued)

Inventory Turnover Days

During the reporting period, inventory turnover days came to 33.0 days (for the six months ended 30 June 2014: 45.4 days; for the year ended 31 December 2014: 23.3 days), calculated as the average of the beginning and ending balances of inventories for the period/year divided by cost of sales for the period/year and multiplied by 180 days (for a half year)/365 days (for a whole year). The decrease in inventory turnover days, as compared with the same period of 2014, was mainly because the Group had reduced its inventory level corresponding to the decrease in sales volume. As of 30 June 2015, the inventory balance decreased by about 46.3% over the same period of 2014.

Gearing Ratio

As at 30 June 2015, current assets and total assets of the Group were approximately RMB1,148.8 million and approximately RMB1,697.1 million, respectively, current liabilities and total liabilities were approximately RMB196.6 million and approximately RMB211.7 million, respectively. The gearing ratio (total liabilities/total assets) of the Group was about 12.5% (as at 30 June 2014: 14.9%).

Bank Borrowings

As at 30 June 2015, the Group had no bank borrowings (as at 31 December 2014: Nil).

Pledge of Assets

As at 30 June 2015, the Group had pledged deposits of RMB5.2 million for bills payable and guarantees to the bank in connection with the amounts advanced by the bank to certain of the Group's customers for the settlement of the trade balances due from these customers to the Group (as at 31 December 2014: RMB2 million).

Capital Structure

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



Management Discussion and Analysis (continued)

Risk of Foreign Exchange

As at 30 June 2015, the Group was not exposed to any major risks from foreign exchange fluctuations and new foreign exchange forward contracts have been signed to manage risks of foreign exchange fluctuations.

Contingent Liabilities

During the reporting period, the Group entered into a banking facility arrangement with a bank in Mainland China for providing guarantees to the bank in connection with the amounts advanced by the bank to certain of the Group's customers for the settlement of the trade balances due from these customers to the Group. As at 30 June 2015, the Group had pledged deposits of RMB2,000,000 (as at 31 December 2014: RMB2,000,000) placed with the bank for this banking facility arrangement, and executed guarantees of a total of approximately RMB29,620,000 (as at 31 December 2014: RMB33,375,000) to the bank in connection with the amounts advanced to these customers by the bank, of which approximately RMB7,945,000 (as at 31 December 2014: RMB17,663,000) had been utilized as at 30 June 2015.

OUTLOOK

The Group believes that against the backdrop of further slackening policy on birth control by the Chinese government, it is expected that China will meet with a baby boom in the next few years. The demand for children's personal care products will continue to grow. However, in view of the slowing growth of economy of China and the shift of spending habit of the consumers to e-commerce as well as mobile and internet shopping, the Group is prudently optimistic about the performance of "Frog Prince" brand on children's personal care product industry in the future.



Management Discussion and Analysis (continued)

Due to the decrease in traffic of offline retail outlets and the closedown of certain points of sales of supermarkets, the dealers' operation cost of offline retail outlets has been gradually increased, resulting in the decline in profitability of our children's personal care product business. In the future, the Group will step up efforts on differentiation and deepening of channels, increase the penetration rate in second-tier, third-tier and fourth-tier cities. At the same time, we continue to raise the market share in first-tier cities and international and domestic cross-region supermarkets, so as to increase the sales; meanwhile, the Group will combine the online and offline marketing efforts for synergic effect. We will expand into two sub-markets, i.e. e-commerce and Wechat business to achieve all-round coverage in an in-depth manner. The Group will also increase the investment in the brand building, including TV advertising, animation, movie, parent-child media promotion, magazine advertising, exhibition, forum, parent-child programme, public activities and so forth, while animation culture will continue to be our differential marketing strategy to inject more cultural elements in our brand, so as to gain brand recognition from consumers and foster all-round branding strategy.

Looking ahead, we will continue to focus on the healthy development of this business segment, in particular our "Frog Prince" brand of personal care products targeting children aged 3 to 12 so as to further promote its core "Frog Prince" brand value of "Better nourished babies, happier mothers" (孩子更滋潤、媽媽更開心). In addition, we will identify other investment opportunities in order to create higher value for our shareholders.

EMPLOYEES AND REMUNERATION

As at 30 June 2015, the Group employed 2,130 employees (as at 31 December 2014: 1,125 employees). The increase in the number of employees was mainly due to: (i) during the reporting period, the Group acquired a toothpaste R&D and manufacture company, which had 161 employees as at 30 June 2015; (ii) the number of production workers, temporary workers and summer interns largely increased to 1,168 as at 30 June 2015 from 419 as at 31 December 2014. It was to coordinate the needs for packing OEM gift boxes for peak season orders from June to August; (iii) the Group increased the number of promoters in direct sales channels in supermarkets and newly introduced management trainee project.

In addition to basic salaries, year-end bonuses may be awarded to those staff members with outstanding performance. Constituent companies of the Group established in Mainland China are also subject to social insurance contribution plans required by the PRC government. In accordance with the relevant national and local 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.



Management Discussion and Analysis (continued)

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

To meet the urgent needs for building a team of talents to cope with the rapid development of the Company, the Group set up a Frog Prince Business College in 2013 to provide training to employees and help them to master relevant skills. The college offered 26 courses, covered fields like corporate strategy and culture, industry overview, professional knowledge, etc, in the first half of 2015.

DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend to shareholders of the Company for the six months ended 30 June 2015.



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 2015 together with the unaudited comparative figures for the corresponding period in 2014 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

Condensed Consolidated Income Statement

For the six months ended 30 June 2015

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| REVENUE | 4 | 459,925 | 583,700 |
| Cost of sales | | (259,222) | (305,505) |
| Gross profit | | 200,703 | 278,195 |
| Other income and gains | 4 | 10,076 | 9,801 |
| Selling and distribution expenses | | (116,448) | (149,638) |
| Administrative expenses | | (49,708) | (40,541) |
| Other operating expenses | | (1,793) | (1,085) |
| PROFIT BEFORE TAX | 5 | 42,830 | 96,732 |
| Income tax | 6 | (11,497) | 20,752 |
| PROFIT FOR THE PERIOD | | 31,333 | 117,484 |
| Attributable to: | | | |
| Equity holders of the Company | | 30,773 | 117,484 |
| Non-controlling interests | | 560 | – |
| | | 31,333 | 117,484 |
| EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY | | | |
| Basic | 8 | RMB3.0 cents | RMB11.6 cents |
| Diluted | | RMB3.0 cents | RMB11.6 cents |

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| PROFIT FOR THE PERIOD | 31,333 | 117,484 |
| Other comprehensive income/(expense): | | |
| Other comprehensive income/(expense) may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translating operations outside Mainland China | 119 | (940) |
| Other comprehensive income/(expense) for the period, net of tax | 119 | (940) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 31,452 | 116,544 |
| Attributable to: | | |
| Equity holders of the Company | 30,892 | 116,544 |
| Non-controlling interests | 560 | – |
| | 31,452 | 116,544 |

Condensed Consolidated Statement of Financial Position

30 June 2015

| | Notes | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|--|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 489,624 | 495,666 |
| Prepaid land lease payments | | 18,513 | 18,730 |
| Goodwill | 10 | 36,122 | – |
| Intangible assets | | 903 | 1,623 |
| Prepayments and deposits | | 3,109 | 1,178 |
| Total non-current assets | | 548,271 | 517,197 |
| CURRENT ASSETS | | | |
| Inventories | | 52,414 | 42,572 |
| Trade receivables | 11 | 73,770 | 145,454 |
| Prepayments, deposits and other receivables | | 50,448 | 10,028 |
| Amount due from a related company | | – | 6,828 |
| Available-for-sale investments | | 3,500 | 2,000 |
| Pledged deposits | | 5,197 | 2,000 |
| Cash and cash equivalents | | 963,492 | 966,567 |
| Total current assets | | 1,148,821 | 1,175,449 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 12 | 95,484 | 125,083 |
| Other payables and accruals | | 39,378 | 50,489 |
| Amount due to a related company | | – | 190 |
| Tax payable | | 21,888 | 16,840 |
| Dividend payable | 7 | 39,887 | – |
| Total current liabilities | | 196,637 | 192,602 |
| NET CURRENT ASSETS | | 952,184 | 982,847 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,500,455 | 1,500,044 |
| NON-CURRENT LIABILITY | | | |
| Deferred tax liabilities | 13 | 15,100 | 14,600 |
| Net assets | | 1,485,355 | 1,485,444 |

Condensed Consolidated Statement of Financial Position (continued)

30 June 2015

| | Notes | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|--|-------|---|---|
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Issued capital | 14 | 8,386 | 8,386 |
| Reserves | | 1,472,746 | 1,477,058 |
| | | 1,481,132 | 1,485,444 |
| Non-controlling interests | | 4,223 | – |
| Total equity | | 1,485,355 | 1,485,444 |

Li Zhenhui
Director

Hong Fang
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

| | Attributable to equity holders of the Company | | | | | | | | | | |
|--|---|---------------|----------------------|-----------------|------------------------|----------------------------|------------------------------|------------------|-----------|---------------------------|--------------|
| | Issued capital | Share premium | Share option reserve | Capital reserve | Statutory reserve fund | Capital redemption reserve | Exchange fluctuation reserve | Retained profits | Total | Non-controlling interests | Total Equity |
| | 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 2015 (audited) | 8,386 | 488,689* | 14,130* | 11* | 110,615* | 16* | 5,857* | 857,740* | 1,485,444 | - | 1,485,444 |
| Exchange differences on translation of operations outside Mainland China | - | - | - | - | - | - | 119 | - | 119 | - | 119 |
| Profit for the period | - | - | - | - | - | - | - | 30,773 | 30,773 | 560 | 31,333 |
| Total comprehensive income for the period | - | - | - | - | - | - | 119 | 30,773 | 30,892 | 560 | 31,452 |
| Acquisition of a subsidiary (note 10) | - | - | - | - | - | - | - | - | - | 3,663 | 3,663 |
| Equity-settled share option arrangements | - | - | 4,683 | - | - | - | - | - | 4,683 | - | 4,683 |
| 2014 final dividend declared | - | (39,887) | - | - | - | - | - | - | (39,887) | - | (39,887) |
| At 30 June 2015 (unaudited) | 8,386 | 448,802* | 18,813* | 11* | 110,615* | 16* | 5,976* | 888,513* | 1,481,132 | 4,223 | 1,485,355 |

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2015

| | Attributable to equity holders of the Company | | | | | | | | |
|--|---|------------------------------------|--|--------------------------------------|--|--|--|---------------------------------------|-------------------------|
| | Issued capital <i>RMB'000</i> | Share premium <i>RMB'000</i> | Share option reserve <i>RMB'000</i> | Capital reserve <i>RMB'000</i> | Statutory reserve fund <i>RMB'000</i> | Capital redemption reserve <i>RMB'000</i> | Exchange fluctuation reserve <i>RMB'000</i> | Retained profits <i>RMB'000</i> | Total <i>RMB'000</i> |
| At 1 January 2014 (audited) | 8,385 | 528,634 | 10,816 | 11 | 92,092 | 16 | 6,336 | 675,870 | 1,322,160 |
| Exchange differences on translation of operations outside Mainland China | - | - | - | - | - | - | (940) | - | (940) |
| Profit for the period | - | - | - | - | - | - | - | 117,484 | 117,484 |
| Total comprehensive income for the period | - | - | - | - | - | - | (940) | 117,484 | 116,544 |
| Exercise of share options | 1 | 162 | (46) | - | - | - | - | - | 117 |
| Equity-settled share option arrangements | - | - | 1,449 | - | - | - | - | - | 1,449 |
| 2013 final dividend declared | - | (40,214) | - | - | - | - | - | - | (40,214) |
| At 30 June 2014 (unaudited) | 8,386 | 488,582 | 12,219 | 11 | 92,092 | 16 | 5,396 | 793,354 | 1,400,056 |

* These reserve accounts comprise the consolidated reserves of RMB1,472,746,000 (31 December 2014: RMB1,477,058,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 42,830 | 96,732 |
| Adjustments for: | | | |
| Interest income received from banks | 4 | (6,430) | (5,112) |
| Income derived from available-for-sale investments | 4 | (1,413) | (2,648) |
| Depreciation | 5 | 15,447 | 7,683 |
| Amortisation of prepaid land lease payments | 5 | 217 | 217 |
| Amortisation of intangible assets | 5 | 720 | 720 |
| Equity-settled share option expense | 5 | 4,683 | 1,449 |
| Loss on disposal of items of property, plant and equipment | 5 | 249 | – |
| | | 56,303 | 99,041 |
| Increase in inventories | | (9,179) | (40,930) |
| Decrease/(increase) in trade receivables | | 82,152 | (3,386) |
| Increase in prepayments, deposits and other receivables | | (37,510) | (13,071) |
| Increase/(decrease) in trade and bills payables | | (37,191) | 56,145 |
| Increase/(decrease) in other payables and accruals | | (11,763) | 23,328 |
| Movements in balances with related parties | | 6,638 | 367 |
| Exchange realignment | | 124 | (758) |
| Cash generated from operations | | 49,574 | 120,736 |
| Interest received | | 6,430 | 5,112 |
| PRC tax paid | | (6,189) | – |
| Net cash flows from operating activities | | 49,815 | 125,848 |

Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2015

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | (6,854) | (34,872) |
| Proceeds from disposal of items of property, plant and equipment | | 673 | – |
| Deposits for purchase of items of property, plant and equipment | | (2,889) | (1,635) |
| Increase in available-for-sale investments | | (500) | (46,000) |
| Income derived from available-for-sale investments | | 1,413 | 2,648 |
| Increase in pledged deposits | | (442) | (2,330) |
| Acquisition of a subsidiary | 10 | (44,286) | – |
| Net cash flows used in investing activities | | (52,885) | (82,189) |
| CASH FLOWS FROM A FINANCING ACTIVITY | | | |
| Net proceeds from issue of ordinary shares and net cash flows from a financing activity | | – | 117 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at beginning of period | | 966,567 | 851,579 |
| Effect of foreign exchange rate changes, net | | (5) | (182) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | 963,492 | 895,173 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents as stated in the condensed consolidated statement of financial position | | 963,492 | 902,173 |
| Non-pledged time deposits with original maturity of more than three months when acquired | | – | (7,000) |
| Cash and cash equivalents as stated in the condensed consolidated statement of cash flows | | 963,492 | 895,173 |

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2015

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2014 except as described below. In the current period, the Group has applied, for the first time, the following revised International Financial Reporting Standards ("IFRSs") which are effective for the Group's financial year beginning on 1 January 2015.

| | |
|--|--|
| Amendments to IAS 19 | <i>Defined Benefit Plans: Employee Contributions</i> |
| <i>Annual improvements 2010–2012 Cycle</i> | Amendments to a number of IFRSs |
| <i>Annual improvements 2011–2013 Cycle</i> | Amendments to a number of IFRSs |

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

In addition, during the current period, the Group acquired 80% equity interest in an entity established in the PRC, which was accounted for as the Group's subsidiary (note 10) from the date of acquisition. Accordingly, the accounting policies for business combinations are adopted by the Group and described below.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in the income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

3. OPERATING SEGMENT INFORMATION

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

- (a) the children's personal care products segment manufactures and trades Frog Prince branded skin care, body and hair care, oral care and diaper and tissue products;
- (b) the adults' personal care products segment manufactures and trades Frog Prince branded oral care products; and
- (c) the other products segment comprises, principally, the manufacture of skin care products, body and hair care products for branding and resale by others.

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

3. OPERATING SEGMENT INFORMATION (continued)

| | Children's personal care products <i>RMB'000</i> | Adults' personal care products <i>RMB'000</i> | Other products <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|--|-------------------------------------|-------------------------|
| Six months ended 30 June 2015 (unaudited) | | | | |
| Segment revenue: | | | | |
| Sales to external customers | 407,571 | 17,510 | 34,844 | 459,925 |
| Segment results | 179,927 | 5,874 | 8,557 | 194,358 |
| Interest income derived from banks | | | | 6,430 |
| Other unallocated income and gains | | | | 3,646 |
| Corporate and other unallocated expenses | | | | (161,604) |
| Profit before tax | | | | <u>42,830</u> |
| Six months ended 30 June 2014 (unaudited) | | | | |
| Segment revenue: | | | | |
| Sales to external customers | 526,142 | 21,064 | 36,494 | 583,700 |
| Segment results | 245,170 | 6,234 | 6,394 | 257,798 |
| Interest income derived from banks | | | | 5,112 |
| Other unallocated income and gains | | | | 4,689 |
| Corporate and other unallocated expenses | | | | (170,867) |
| Profit before tax | | | | <u>96,732</u> |

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

3. OPERATING SEGMENT INFORMATION (continued)

| | Children's personal care products <i>RMB'000</i> | Adults' personal care products <i>RMB'000</i> | Other products <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|--|-------------------------------------|-------------------------|
| Six months ended 30 June 2015 (unaudited) | | | | |
| Segment assets | 124,535 | 2,995 | 68,926 | 196,456 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated assets | | | | 1,500,636 |
| Total assets | | | | 1,697,092 |
| Segment liabilities | 71,928 | 3,699 | 19,858 | 95,485 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated liabilities | | | | 116,252 |
| Total liabilities | | | | 211,737 |
| Year ended 31 December 2014 (audited) | | | | |
| Segment assets | 198,425 | 6,304 | 24,116 | 228,845 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated assets | | | | 1,463,801 |
| Total assets | | | | 1,692,646 |
| Segment liabilities | 107,896 | 5,170 | 15,317 | 128,383 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated liabilities | | | | 78,819 |
| Total liabilities | | | | 207,202 |

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

4. REVENUE, OTHER INCOME AND GAINS

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

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| <u>Revenue</u> | | |
| Sales of goods | 459,925 | 583,700 |
| <u>Other income and gains</u> | | |
| Interest income derived from banks | 6,430 | 5,112 |
| Income derived from available-for-sale investments | 1,413 | 2,648 |
| Government subsidies* | 1,260 | 1,297 |
| Net fair value gains on foreign exchange derivative financial instruments – transactions not qualified as hedges | 60 | 388 |
| Others | 913 | 356 |
| | 10,076 | 9,801 |
| | 470,001 | 593,501 |

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

5. PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| Cost of inventories sold | 259,222 | 305,505 |
| Depreciation* | 15,447 | 7,683 |
| Amortisation of prepaid land lease payments | 217 | 217 |
| Amortisation of intangible assets | 720 | 720 |
| Minimum lease payments under operating leases on land and buildings | 910 | 933 |
| Loss on disposal of items of property, plant and equipment# | 249 | – |
| Employee benefit expenses* (including directors' remuneration): | | |
| Wages and salaries | 34,041 | 36,626 |
| Equity-settled share option expense | 4,683 | 1,449 |
| Retirement benefit scheme contributions | 2,254 | 2,265 |
| | 40,978 | 40,340 |
| Research and development costs#^ | 4,816 | 4,769 |

These amounts are included in "Administrative expenses" in the condensed consolidated income statement.

^ The research and development costs for the six months ended 30 June 2015 include an amount of RMB2,187,000 (six months ended 30 June 2014: RMB1,781,000) 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.

* Included in the respective balances are the following amounts which are also included in cost of inventories sold disclosed above:

| | Six months ended 30 June | |
|---------------------------|--------------------------------|--------------------------------|
| | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| Depreciation | 9,141 | 4,155 |
| Employee benefit expenses | 14,035 | 15,516 |
| | 23,176 | 19,671 |

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2014: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

| | Six months ended 30 June | |
|--|---------------------------------------|---------------------------------------|
| | 2015 <i>RMB'000</i> (unaudited) | 2014 <i>RMB'000</i> (unaudited) |
| Current – Mainland China | | |
| Charge for the period | 10,997 | 18,418 |
| Overprovision in prior year | – | (40,870) |
| | 10,997 | (22,452) |
| Deferred | 500 | 1,700 |
| Total tax charge/(credit) for the period | 11,497 | (20,752) |

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

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

7. DIVIDEND

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| Dividend declared during the period: | | |
| Final – HK5.0 cents (2014: HK5.0 cents) per ordinary share | 39,887 ⁽ⁱ⁾ | 40,214 ⁽ⁱ⁾ |

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

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

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2015 (2014: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to the equity holders of the Company of RMB30,773,000 (2014: RMB117,484,000) and the number of ordinary shares in issue during the six months ended 30 June 2015 of 1,010,491,000 (2014: weighted average number of ordinary shares of 1,010,468,000).

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2014 is based on the profit for that period attributable to the equity holders of the Company of RMB117,484,000. The weighted average number of ordinary shares of 1,012,403,000 used in the calculation is the weighted average number of ordinary shares of 1,010,468,000 in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares during the period of 1,935,000.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

9. PROPERTY, PLANT AND EQUIPMENT

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|--|---|---|
| At beginning of period/year, net of accumulated depreciation | 495,666 | 391,693 |
| Acquisition of a subsidiary (note 10) | 2,515 | – |
| Additions | 7,812 | 125,231 |
| Disposals | (922) | (5,375) |
| Depreciation provided during the period/year | (15,447) | (15,883) |
| At end of period/year, net of accumulated depreciation | 489,624 | 495,666 |

10. BUSINESS COMBINATION

On 30 April 2015, the Group acquired a 80% equity interest in 福建愛潔麗日化有限公司 (the “Acquired Company”), a company established in the PRC, from an independent third party. The principal activity of the Acquired Company is manufacturing of toothpaste products. The acquisition was for expanding the Group’s oral care product line under children’s personal care products. The purchase consideration for the acquisition was satisfied by cash in the amount of RMB50,773,000.

The Group has elected to measure the non-controlling interest in the Acquired Company at the non-controlling interest’s proportionate share of the Acquired Company’s identifiable net assets.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

10. BUSINESS COMBINATION (continued)

Details of the estimated fair values of the identifiable assets and liabilities of the Acquired Company and goodwill in respect of this acquisition at the acquisition date were as follows:

| | <i>RMB'000</i> |
|---|----------------|
| Assets | |
| Property, plant and equipment | 2,515 |
| Inventories | 663 |
| Trade receivables | 10,468 |
| Prepayments, deposits and other receivables | 2,910 |
| Available-for-sale investment | 1,000 |
| Pledged deposits | 2,755 |
| Cash and cash equivalents | 6,487 |
| | <u>26,798</u> |
| Liabilities | |
| Trade and bills payables | (7,592) |
| Accruals and other payables | (652) |
| Tax payable | (240) |
| | <u>(8,484)</u> |
| Total identifiable net assets acquired | 18,314 |
| Non-controlling interests | (3,663) |
| | 14,651 |
| Goodwill on acquisition | <u>36,122</u> |
| Satisfied by cash | <u>50,773</u> |

The goodwill is mainly attributable to the future cash flows and profits generated from manufacturing of toothpaste products.

The Group incurred insignificant amount of transaction costs for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the condensed consolidated income statement.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

10. BUSINESS COMBINATION (continued)

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

| | <i>RMB'000</i> |
|---|-----------------|
| Cash consideration | (50,773) |
| Cash and cash equivalents acquired | <u>6,487</u> |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | <u>(44,286)</u> |

Since the acquisition, the Acquired Company contributed RMB3,137,000 to the Group's revenue and profit of RMB2,799,000 to the consolidated profit for the six months ended 30 June 2015.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the six months ended 30 June 2015 would have been RMB465,204,000 and RMB32,714,000, respectively.

As of the date of these condensed consolidated interim financial statements, the purchase price allocation process is still in the progress. The Group has used the estimated fair values of the acquired assets and assumed liabilities with the excess of the cost of acquisition over these estimated fair values being recorded as goodwill. The purchase price allocation to the acquired assets and assumed liabilities in these condensed consolidated interim financial statements is provisional and may be adjusted in the Group's consolidated financial statements for the year ending 31 December 2015 when the purchase price allocation is finalised. Had the purchase price allocation been finalised, the fair values of the assets acquired and liabilities assumed and the amount of goodwill could be different from the amounts recognised.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

11. TRADE RECEIVABLES

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|-------------------|---|---|
| Trade receivables | 73,770 | 145,454 |

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

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

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

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|----------------|---|---|
| Within 30 days | 57,242 | 107,733 |
| 31 to 60 days | 9,935 | 34,611 |
| 61 to 90 days | 5,844 | 2,539 |
| Over 90 days | 749 | 571 |
| | 73,770 | 145,454 |

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

12. 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 2015 <i>RMB'000</i> (unaudited) | 31 December 2014 <i>RMB'000</i> (audited) |
|----------------|--|--|
| Within 1 month | 74,384 | 76,590 |
| 1 to 3 months | 19,315 | 48,490 |
| Over 3 months | 1,785 | 3 |
| | 95,484 | 125,083 |

The trade and bills payables are non-interest-bearing and are normally settled on terms of one to six months. The bills payables were secured by the pledge of certain of the Group's time deposits amounting to RMB3,197,000 as at 30 June 2015 (31 December 2014: Nil).

13. 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 2015, there were no significant unrecognised deferred tax liabilities (31 December 2014: 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.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

14. ISSUED CAPITAL

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|---|---|---|
| Authorised: | | |
| 5,000,000,000 ordinary shares of HK\$0.01 each | 41,524 | 41,524 |
| Issued and fully paid: | | |
| 1,010,491,000 (2014: 1,010,491,000) ordinary shares of HK\$0.01 each | 8,386 | 8,386 |

A summary of the movements during the period in the Company's issued share capital is as follows:

| | Note | Number of ordinary shares of HK\$0.01 each | Nominal value of ordinary shares | |
|--|------|--|-------------------------------------|---------|
| | | | HK\$'000 | RMB'000 |
| As at 1 January 2014 | | 1,010,414,000 | 10,105 | 8,385 |
| Exercise of share options | (a) | 77,000 | 1 | 1 |
| As at 31 December 2014, 1 January 2015 and 30 June 2015 | | 1,010,491,000 | 10,106 | 8,386 |

Note:

- (a) During the year ended 31 December 2014, the subscription rights attached to 77,000 share options granted in 2011 were exercised at the subscription price of HK\$1.92 per share, resulting in the issue of 77,000 shares of HK\$0.01 each for a total cash consideration before expenses of approximately HK\$148,000 (equivalent to RMB117,000, representing nominal value of ordinary shares of RMB1,000 and share premium of RMB116,000). An amount of approximately HK\$58,000 (equivalent to RMB46,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

15. SHARE OPTION SCHEME

On 22 June 2011, 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 of Hong Kong Limited (the "Stock Exchange").

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. 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 in a general meeting.

Share options granted 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 share options granted 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 in a general meeting.

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.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

15. SHARE OPTION SCHEME (continued)

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

| | 2015 | | 2014 | |
|----------------------------------|--|---------------------------|--|---------------------------|
| | Weighted average exercise price HK\$ per share | Number of options '000 | Weighted average exercise price HK\$ per share | Number of options '000 |
| At 1 January | 2.05 | 41,410 | 2.39 | 17,334 |
| Granted during the period/year | – | – | 1.83 | 25,240 |
| Forfeited during the period/year | 1.98 | (366) | 2.31 | (1,087) |
| Exercise of share options | – | – | 1.92 | (77) |
| At 30 June/31 December | 2.05 | 41,044 | 2.05 | 41,410 |

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

| 30 June 2015 Number of options '000 | Exercise price HK\$ per share | Exercise period |
|---|-------------------------------------|--------------------------|
| 9,102 | 1.92 | 14–10–2012 to 13–10–2021 |
| 7,402 | 2.94 | 21–06–2013 to 20–06–2022 |
| 24,540 | 1.83 | 26–09–2015 to 25–09–2024 |
| 41,044 | | |

| 31 December 2014 Number of options '000 | Exercise price HK\$ per share | Exercise period |
|---|-------------------------------------|--------------------------|
| 9,120 | 1.92 | 14–10–2012 to 13–10–2021 |
| 7,450 | 2.94 | 21–06–2013 to 20–06–2022 |
| 24,840 | 1.83 | 26–09–2015 to 25–09–2024 |
| 41,410 | | |

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

15. SHARE OPTION SCHEME (continued)

The Group recognised share option expenses of a total RMB4,683,000 (2014: RMB1,449,000) during the period ended 30 June 2015.

At the end of the reporting period, the Company had 41,044,000 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 41,044,000 additional ordinary shares of the Company and additional share capital of approximately HK\$410,000 (equivalent to approximately RMB323,000) and share premium of approximately HK\$83,735,000 (equivalent to approximately RMB66,034,000), before issue expenses.

At the date of approval of these condensed consolidated interim financial statements, the Company had 40,926,000 share options outstanding under the Scheme, which represented approximately 4.1% of the Company's shares in issue as at that date.

16. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its warehouses and office premises under operating lease arrangements. Leases for properties are negotiated for terms of six months to three years (31 December 2014: six months to two 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 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|---|---|---|
| Within one year | 1,125 | 1,056 |
| In the second to fifth years, inclusive | 1,330 | 1,314 |
| | 2,455 | 2,370 |

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following capital commitments at the end of the reporting period:

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|--|---|---|
| Contracted, but not provided for: | | |
| Construction of buildings | 4,905 | 5,162 |
| Purchase of items of property, plant and equipment | 3,268 | 2,443 |
| | 8,173 | 7,605 |

18. CONTINGENT LIABILITIES

During the period, the Group entered into a banking facility arrangement with a bank in Mainland China for providing guarantees to the bank in connection with the amounts advanced by the bank to certain of the Group's customers for the settlement of the trade balances due from these customers to the Group. At 30 June 2015, the Group had pledged deposits of RMB2,000,000 (31 December 2014: RMB2,000,000) with the bank for this banking facility arrangement, and executed guarantees of a total of approximately RMB29,620,000 (2014: RMB33,750,000) to the bank in connection with the amounts advanced to these customers by the bank, of which RMB7,945,000 (31 December 2014: RMB17,663,000) had been utilised as at 30 June 2015.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

19. 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:

| | Notes | Six months ended 30 June | |
|-----------------------|-------|--------------------------------|--------------------------------|
| | | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| Related companies: | | | |
| Rental expenses | (a) | – | 124 |
| Purchases of products | (b) | 6 | 1,090 |

Notes:

- (a) Frog Prince (China) and Fujian Shuangfei Daily Chemicals Co., Ltd. ("Fujian Shuangfei"), which is controlled by Mr. Li Zhenhui and Mr. Xie Jinling, entered into buildings, equipment and vehicles lease agreements on 1 January 2010 and two supplementary lease agreements on 26 January 2011 and 14 February 2011. Pursuant to these agreements, Frog Prince (China) leased from Fujian Shuangfei the production premises and an office building with a total floor area of 14,097 square metres and certain machinery, furniture, fixtures, office equipment and motor vehicles. Except for the leasing of buildings with a total floor area of 4,846 square metres which was for a fifty-nine months lease period ended 1 December 2014 with a fixed monthly rental payable of approximately RMB27,000, the other terms of the lease under the agreements are three years with a fixed monthly rental payable of approximately RMB53,000 for the buildings and approximately RMB204,000 for the machinery, furniture, fixtures, office equipment and motor vehicles. The directors confirmed that the rentals charged under equipment and vehicles lease agreements were made on mutually agreed terms. The lease of buildings with a total floor area of 4,846 square metres was early terminated on 31 December 2012.

On 1 January 2013, Frog Price (China) and Fujian Shuangfei entered into a supplementary lease agreement. Pursuant to this agreement, Frog Prince (China) leases from Fujian Shuangfei an office building with a total floor area of 2,437 square metres which is for a lease period of thirty-six months ending 31 December 2015 with a fixed monthly rental payable of approximately RMB21,000. The directors confirmed that the rentals were made on mutually agreed terms. The lease was early terminated on 31 December 2014.

- (b) Purchases from a related company, Fujian Shuangfei, were made on mutually agreed terms.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

19. RELATED PARTY TRANSACTIONS (continued)

(ii) Commitments with related parties

On 1 January 2013, Frog Prince (China) and Fujian Shuangfei entered into a supplementary lease agreement. Pursuant to this agreement, Frog Prince (China) leases from Fujian Shuangfei an office building with a total floor area of 2,437 square metres which is for a lease period of thirty-six months ending 31 December 2015 with a fixed monthly rental payable of approximately RMB21,000. The amount of total rental expenses incurred for the period is included in note 19(i)(a) to the financial statements. The supplementary lease agreement has been early terminated on 31 December 2014, and the Group therefore had no rental expenses payable to Fujian Shuangfei since 1 January 2015.

(iii) Compensation of key management personnel of the Group

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| Short term employee benefits | 2,371 | 2,132 |
| Post-employment benefits | 16 | 14 |
| Equity-settled share option expense | 1,486 | 646 |
| Total compensation paid to key management personnel | 3,873 | 2,792 |

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, balances with related companies and dividend payable approximate to their carrying amounts largely due to the short term maturities of these instruments. For the Group's unlisted available-for-sale investments, they were stated at cost less impairment because they are unlisted investment funds that do not have quoted market price in an active market and whose fair value cannot be measured reliably.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2015

21. PENDING LITIGATION

In June 2015, the Group received a writ (the "Writ") of summon from 深圳市南山區人民法院 (the "Court"), a court in Shenzhen, Mainland China that the Group, together with another party (the "Defendant"), were sued by a toothbrush producer (the "Plaintiff") for alleged trademark infringement (the "Trademark Infringement"). In accordance with the Writ and the relevant legal correspondences, the trademark (the "Trademark") of certain toothbrushes produced by the Plaintiff was infringed by certain toothbrushes produced by the Group, which were sold to the Defendant, who then sold to its customers. Pursuant to the Writ, the Plaintiff is seeking for the following orders from the Court that: (1) the Group shall cease production and sales of the products that were alleged to infringe the Trademark (the "Products"); (2) the Defendant shall cease sales of the Products; (3) the Group and the Defendant shall pay the Plaintiff compensation of RMB500,000; and (4) the Group and the Defendant shall be responsible for all the legal costs involved in the legal proceedings.

In June 2015, the Group submitted a request to the Court to the effect that (i) the proceeding of the Trademark Infringement should be handled by 福建省漳州市中級人民法院, a court in Fujian, Mainland China (the "Fujian Court"), the principal place of business where the Group is located, instead of the Court; and (ii) the allegation of the Trademark Infringement should be dismissed (collectively the "Requests"). However, the Requests were rejected by the Court in July 2015, and therefore the Group further appealed to 深圳市中級人民法院, the intermediate court in Shenzhen, Mainland China, (the "Appeal") for revoking the decisions of the Court and requested that the proceeding of the Trademark Infringement should be handled by the Fujian Court. Up to the date of these condensed consolidated interim financial statements, the Appeal was still in progress. With advice from the Group's PRC legal advisors, the directors are optimistic that the outcome of the Appeal will be favourable to the Group, and considered no provision in respect of the Trademark Infringement is necessary as at 30 June 2015.

22. 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 26 August 2015.

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. As at the date of this interim report, the total number of shares of the Company available for issue under the share option scheme was 95,775,000 shares, representing approximately 9.48% of the issued share capital of the Company as at the date of this interim report. Details of movements of the Company's share options, granted under the share option scheme, for the six months ended 30 June 2015 are as follows:

| Name or category of participants | Date of grant | Exercise price per share (HK\$) | Number of options | | | | | Outstanding as at 30 June 2015 | Exercise period (Note 1) |
|--|-------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------------|--------------------------------|--------------------------|
| | | | Outstanding as at 1 January 2015 | Granted during the period | Exercised during the period | Cancelled during the period | Forfeited/lapsed during the period | | |
| Executive Directors | | | | | | | | | |
| Mr. Li Zhenhui (also a substantial shareholder) | 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 | |
| <i>Sub-total</i> | | | 3,360,000 | - | - | - | - | 3,360,000 | |



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

| Name or category of participants | Date of grant | Exercise price per share (HK\$) | Number of options | | | | | Exercise period (Note 1) | |
|---|-------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------------|--------------------------|--------------------------------|
| | | | Outstanding as at 1 January 2015 | Granted during the period | Exercised during the period | Cancelled during the period | Forfeited/lapsed during the period | | Outstanding as at 30 June 2015 |
| Executive Directors | | | | | | | | | |
| <i>(continued)</i> | | | | | | | | | |
| Mr. Xie Jinling (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 | |
| <i>Sub-total</i> | | | 2,800,000 | - | - | - | - | 2,800,000 | |



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

| Name or category of participants | Date of grant | Exercise price per share (HK\$) | Number of options | | | | | Outstanding as at 30 June 2015 | Exercise period (Note 1) |
|----------------------------------|-------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------------|--------------------------------|--------------------------|
| | | | Outstanding as at 1 January 2015 | Granted during the period | Exercised during the period | Cancelled during the period | Forfeited/lapsed during the period | | |
| Executive Directors | | | | | | | | | |
| <i>(continued)</i> | | | | | | | | | |
| Mr. Ge Xiaohua | 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 | |
| | <i>Sub-total</i> | | | <i>2,400,000</i> | - | - | - | <i>2,400,000</i> | |



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

| Name or category of participants | Date of grant | Exercise price per share (HK\$) | Number of options | | | | | Exercise period (Note 1) | |
|----------------------------------|-------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------------|--------------------------|--------------------------------|
| | | | Outstanding as at 1 January 2015 | Granted during the period | Exercised during the period | Cancelled during the period | Forfeited/lapsed during the period | | Outstanding as at 30 June 2015 |
| Executive Directors | | | | | | | | | |
| <i>(continued)</i> | | | | | | | | | |
| 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 | |
| <i>Sub-total</i> | | | <i>2,400,000</i> | - | - | - | - | <i>2,400,000</i> | |



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

| Name or category of participants | Date of grant | Exercise price per share (HK\$) | Number of options | | | | | Outstanding as at 30 June 2015 | Exercise period (Note 1) | |
|----------------------------------|-------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------------|--------------------------------|--------------------------|--|
| | | | Outstanding as at 1 January 2015 | Granted during the period | Exercised during the period | Cancelled during the period | Forfeited/lapsed during the period | | | |
| Executive Directors | | | | | | | | | | |
| <i>(continued)</i> | | | | | | | | | | |
| Ms. Hong Fang | 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 | |
| <i>Sub-total</i> | | | <i>4,800,000</i> | - | - | - | - | <i>4,800,000</i> | | |



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

| Name or category of participants | Date of grant | Exercise price per share (HK\$) | Number of options | | | | | Outstanding as at 30 June 2015 | Exercise period (Note 1) |
|---|-------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------------|--------------------------------|--------------------------|
| | | | Outstanding as at 1 January 2015 | Granted during the period | Exercised during the period | Cancelled during the period | Forfeited/lapsed during the period | | |
| Independent Non-executive Directors Mr. Chen Shaojun | 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 | |
| <i>Sub-total</i> | | <i>400,000</i> | - | - | - | - | <i>400,000</i> | | |



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

| Name or category of participants | Date of grant | Exercise price per share (HK\$) | Number of options | | | | | Outstanding as at 30 June 2015 | Exercise period (Note 1) |
|--|-------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------------|--------------------------------|--------------------------|
| | | | Outstanding as at 1 January 2015 | Granted during the period | Exercised during the period | Cancelled during the period | Forfeited/lapsed during the period | | |
| Independent 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 | |
| <i>Sub-total</i> | | | <i>400,000</i> | - | - | - | <i>400,000</i> | | |



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

| Name or category of participants | Date of grant | Exercise price per share (HK\$) | Number of options | | | | | Exercise period (Note 1) | |
|--|-------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------------|--------------------------|--------------------------------|
| | | | Outstanding as at 1 January 2015 | Granted during the period | Exercised during the period | Cancelled during the period | Forfeited/lapsed during the period | | Outstanding as at 30 June 2015 |
| Independent Non-executive Directors (continued) | | | | | | | | | |
| Mr. Wong Wai Ming | 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 | |
| <i>Sub-total</i> | | | <i>400,000</i> | - | - | - | - | <i>400,000</i> | |
| Total for directors | | | 16,960,000 | - | - | - | - | 16,960,000 | |
| Employees of the Group in aggregate | | | | | | | | | |
| | 14 October 2011 | 1.92 | 352,400 | - | - | - | - | 352,400 | A |
| | | | 1,615,800 | - | - | - | (9,000) | 1,606,800 | B |
| | | | 1,651,800 | - | - | - | (9,000) | 1,642,800 | C |
| | | | 3,620,000 | - | - | - | (18,000) | 3,602,000 | |
| | 21 June 2012 | 2.94 | 821,600 | - | - | - | (12,000) | 809,600 | D |
| | | | 1,384,200 | - | - | - | (18,000) | 1,366,200 | E |
| | | | 1,384,200 | - | - | - | (18,000) | 1,366,200 | F |
| | | | 3,590,000 | - | - | - | (48,000) | 3,542,000 | |



Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

| Name or category of participants | Date of grant | Exercise price per share (HK\$) | Number of options | | | | | Outstanding as at 30 June 2015 | Exercise period (Note 1) |
|---|-------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------------|--------------------------------|--------------------------|
| | | | Outstanding as at 1 January 2015 | Granted during the period | Exercised during the period | Cancelled during the period | Forfeited/lapsed during the period | | |
| Employees of the Group in aggregate (continued) | 26 September 2014 | 1.83 | 6,896,000 | - | - | - | (120,000) | 6,776,000 | G |
| | | | 5,172,000 | - | - | - | (90,000) | 5,082,000 | H |
| | | | 5,172,000 | - | - | - | (90,000) | 5,082,000 | I |
| | | | 17,240,000 | - | - | - | (300,000) | 16,940,000 | |
| Total for employees | | | 24,450,000 | - | - | - | (366,000) | 24,084,000 | |
| TOTAL | | | 41,410,000 | - | - | - | (366,000) | 41,044,000 | |

Notes:

1. 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

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

2. 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 2015, 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"), to be notified to the Company and the Stock Exchange, were as follows:

A. Long positions in the ordinary shares of the Company

| Name of director | Nature of interests | Number of the Company's ordinary shares interested | Percentage ⁺ of the Company's issued share capital |
|------------------|---|--|---|
| Mr. Li Zhenhui | Interest of controlled corporations (Note 1) | 343,408,500 | 33.98% |
| Mr. Xie Jinling | Interest of controlled corporation (Note 2) | 140,383,500 | 13.89% |
| Mr. Ge Xiaohua | Beneficial owner | 400,000 | 0.04% |
| Mr. Huang Xinwen | Beneficial owner | 400,000 | 0.04% |
| Mr. Ren Yunan | Beneficial owner | 100,000 | 0.01% |

Notes:

- These shares were held by Prince Frog International Company Limited (for 343,308,500 shares) and Zhenfei Investment Company Limited (for 100,000 shares) respectively. Prince Frog International Company Limited is a wholly-owned subsidiary of Zhenfei Investment Company Limited, which in turn was a controlled corporation of Mr. Li Zhenhui. Accordingly, Mr. Li Zhenhui 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.
- * The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2015.



Supplementary Information to the Interim Report (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS 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 director | Nature of interests | Number of the Company's underlying shares interested | Percentage ⁺ of underlying shares over the Company's issued share capital |
|-------------------|---------------------|--|--|
| Mr. Li Zhenhui | Beneficial owner | 3,360,000 | 0.33% |
| Mr. Xie Jinling | Beneficial owner | 2,800,000 | 0.28% |
| Mr. Ge Xiaohua | Beneficial owner | 2,400,000 | 0.24% |
| Mr. Huang Xinwen | Beneficial owner | 2,400,000 | 0.24% |
| Ms. Hong Fang | Beneficial owner | 4,800,000 | 0.48% |
| Mr. Chen Shaojun | Beneficial owner | 400,000 | 0.04% |
| Mr. Ren Yunan | Beneficial owner | 400,000 | 0.04% |
| Mr. Wong Wai Ming | Beneficial owner | 400,000 | 0.04% |

Note:

The underlying shares stated above refer to the share options granted by the Company under the share option scheme of the Company. Details of these share options as required to be disclosed pursuant to the Listing Rules are set out in the above section headed "Share Option Scheme" and note 15 to the condensed consolidated interim financial statements.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2015.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2015, 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 2015, 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:

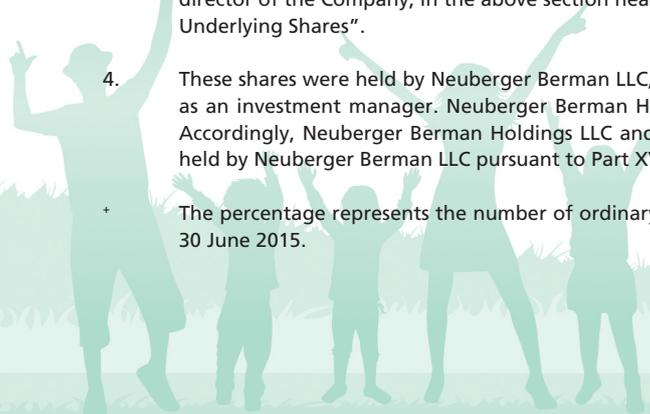
Long positions in the ordinary shares of the Company

| Name of substantial shareholder | Nature of interests | Number of the Company's ordinary shares interested | Percentage* of the Company's issued share capital |
|---|---|--|---|
| Prince Frog International Company Limited | Beneficial owner (Note 1) | 343,308,500 | 33.97% |
| Zhenfei Investment Company Limited | Beneficial owner (Note 2) | 100,000 | 0.01% |
| | Interest of controlled corporation (Note 1) | 343,308,500 | 33.97% |
| | | 343,408,500 | 33.98% |
| Jinlin Investment Company Limited | Beneficial owner (Note 3) | 140,383,500 | 13.89% |
| Neuberger Berman LLC | Investment manager (Note 4) | 60,331,900 | 5.97% |
| Neuberger Berman Holdings LLC | Interest of controlled corporation (Note 4) | 60,331,900 | 5.97% |
| Neuberger Berman Group LLC | Interest of controlled corporation (Note 4) | 60,331,900 | 5.97% |

Notes:

- These shares were held by Prince Frog International Company Limited, a wholly-owned subsidiary of Zhenfei Investment Company Limited, which in turn was a controlled corporation of Mr. Li Zhenhui, an executive director of the Company. The above interest of Zhenfei Investment Company Limited and Prince Frog International Company Limited was also disclosed as the interest of Mr. Li Zhenhui in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".
- The above interest of Zhenfei Investment Company Limited was also disclosed as the interest of Mr. Li Zhenhui in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".
- The above interest of Jinlin Investment Company Limited was also disclosed as the interest of Mr. Xie Jinling, an executive director of the Company, in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".
- These shares were held by Neuberger Berman LLC, a wholly owned subsidiary of Neuberger Berman Holdings LLC, in the capacity as an investment manager. Neuberger Berman Holdings LLC was a wholly owned subsidiary of Neuberger Berman Group LLC. Accordingly, Neuberger Berman Holdings LLC and Neuberger Berman Group LLC were deemed to be interested in these shares held by Neuberger Berman LLC 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 2015.



Supplementary Information to the Interim Report (continued)

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

Save as disclosed above, as at 30 June 2015, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, 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 (Appendix 10 to the Listing Rules) as its own code of conduct regarding directors' dealings in the Company's securities. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2015.

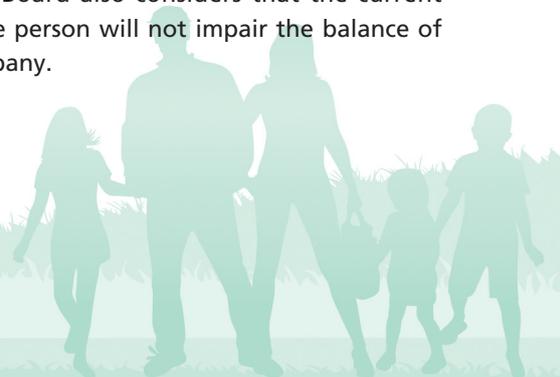
COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

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 2015.

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 2015, except for code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Mr. Li Zhenhui currently holds the positions of Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 21 years of experience in personal care products industry. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Li Zhenhui 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.



Supplementary Information to the Interim Report (continued)

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of director of the Company is set out as follows: Mr. Ren Yunan has resigned as an independent director and the chairman of the audit committee of IDI, Inc. (name changed from Tiger Media, Inc. with effect from 30 April 2015; a company listed on New York Stock Exchange AMEX; stock code: IDI) on 3 June 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2015.

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 2015, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.

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.

