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

2015
ANNUAL REPORT

This annual report, in both English and Chinese versions, is available on the Company's website at www.princefrog.com.cn.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (the "Corporate Communications").

Shareholders may send their request to change their choice of language(s) of Corporate Communications by 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 who have chosen to receive the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this annual report since both languages are bound together into one booklet.

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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
Mr. Li Zhouxin

Non-executive Director

Mr. Ren Yunan *(Vice Chairman)*

Independent Non-executive Directors

Mr. Chen Shaojun
Mr. Wong Wai Ming
Mr. Lee Man Chiu

BOARD COMMITTEES

Audit Committee Members

Mr. Wong Wai Ming *(Chairman)*
Mr. Ren Yunan
Mr. Chen Shaojun

Nomination Committee Members

Mr. Wong Wai Ming *(Chairman)*
Mr. Ren Yunan
Mr. Chen Shaojun

Remuneration Committee Members

Mr. Wong Wai Ming *(Chairman)*
Mr. Li Zhenhui
Mr. Chen Shaojun

COMPANY SECRETARY

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

Level 54, Hopewell Centre
183 Queen's Road East
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

Chairman's Statement

Mr. Li Zhenhui
Chairman

On behalf of the board of directors (the "Board") of China Child Care Corporation Limited (the "Company", together with its subsidiaries, the "Group", stock code: 1259.HK), I would like to present the financial results and operating performance of the Group for the year ended 31 December 2015 to the shareholders.

Given China's economic slowdown and the growing dependence of consumers' shopping habits on e-commerce and mobile internet as well as consumer's preference for foreign brand products, the personal care product business of the Company mainly based on traditional offline distribution channels is under huge pressure. However, the Company consolidated its position as a leader in the industry of personal care products designed for children aged 3 to 12 by adhering to accurate brand advertising and differentiated animation marketing strategies and constantly communicating with consumers through various offline promotion campaigns and product launches.

Chairman's Statement (continued)

For the year ended 31 December 2015, the Group's operating revenue amounted to approximately RMB913.7 million, representing a decrease of about 38.4% over the corresponding period in 2014. Loss attributable to equity holders of the Company amounted to approximately RMB50.3 million as compared to profit of RMB200.4 million for the corresponding period in 2014; basic loss per share was RMB5.0 cents as compared to basic earnings per share of RMB19.8 cents for the corresponding period in 2014. As a result, it is proposed not to distribute any dividend to shareholders of the Company for the year ended 31 December 2015.

Looking into 2016, for personal care product business, we will continue to explore the market for personal care products designed for children aged 3 to 12 by virtue of the brand of "Frog Prince". Moreover, the Group will make better use of its internal resources to explore business of various types, so as to diversify its business and effectively improve its profitability in the best interests of shareholders.

On behalf of the Board, I would like to take this opportunity to express my gratitude to all our employees and the management for their contribution in the past year. I would also like to extend my appreciation to all our shareholders for their support and recognition of the Group's mission and strategies for the future.

China Child Care Corporation Limited
Chairman
Mr. Li Zhenhui

29 March 2016

Management Discussion and Analysis

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

BUSINESS REVIEW

Accurate brand advertising

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

Differentiated animation marketing strategies

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

Management Discussion and Analysis (continued)

Launch of diverse off-line promotion campaigns

In 2015, the Group made more effort in off-line promotions. Through theme events delivering the core brand positioning of "Frog Prince Brand Specially for Children Aged 3-12" (青蛙王子更適合3-12歲兒童使用) to the consumers, the brand image was enhanced comprehensively. To name a few, the Group held nearly 2,000 large-scale promotional activities in nearly 1,500 key stores located in approximately 200 cities of key provinces across the country under the theme of "Grow up with new requirements, care with wonderful gifts" (成長新要求，關愛更有禮) in March and May 2015, respectively; the Group held nearly 3,000 theme promotional activities in almost 1,000 key stores located in approximately 400 cities of key provinces in the second half of 2015 under the theme of "Where Are We Going, Dad?" (爸爸去哪兒) and "Crazy Magic" (瘋狂麥咭); the Group launched large-scale roadshows in over 75 cities nationwide under the theme of "Where Are We Going on June 1, Dad? – Parent-Child Happiness Nourishing My Growth" (爸爸，六一去哪兒– 六一親子樂，滋潤我成長) on "June 1" International Children's Day in 2015.

Continuous launch of new products

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

Management Discussion and Analysis (continued)

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

EXCELLENCE IN QUALITY CONTROL

Product quality and safety control have always been the focus of the management of the Group. All the babies' and children's personal care products currently produced by the Group not only meet the national standards of the PRC, but also comply with the requirements on the safety and specification for cosmetic products of the European Union. The production base located in the new industrial park of the Group has passed the "Cosmetics – Guidelines on Good Manufacturing Practices (2008)" Certification System and "ISO22716: 2007(e) Cosmetics – Good Manufacturing Practices Standards (GMP)" of the United States Food and Drug Administration. Quality inspection is in place for all major production procedures,

Management Discussion and Analysis (continued)

with routine and spot checks on all raw materials, semi-products and finished products to ensure perfect quality. The self-owned testing laboratory of the Group is currently actively preparing and applying for the authentication of the China National Accreditation Service for Conformity Assessment (CNAS), which will demonstrate that the Group has state-recognized cosmetics physicochemical index and is qualified to perform microbiological detection. In 2015, the Group, 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), and Frog Prince (China) Daily Chemicals Co., Ltd. ("Frog Prince (China)", an indirect wholly-owned subsidiary of the Company) as the vice president of China Association of Fragrance Flavor and Cosmetic Industries (中國香料香精化妝品工業協會副理事長單位), actively participated in the discussion and formulation of the regulations on cosmetic products supervision and provided reasonable suggestions on the systematic management of cosmetic raw materials in China in the future and the reform proposal of cosmetic production certificate.

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

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

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

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

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 up a "Frog Prince Award" to reward youth's and children's outstanding performances and to support children from poor families to participate in educational activities for students with special talents.

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

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

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

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

Management Discussion and Analysis (continued)

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

FINANCIAL REVIEW

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

Management Discussion and Analysis (continued)

Gross Profit and Gross Profit Margin

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Cost

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

Management Discussion and Analysis (continued)

Business Combination

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

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

Net Profit/Loss and Net Profit/Loss Margin

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

Capital Expenditure

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

Financial Resources and Liquidity

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

Management Discussion and Analysis (continued)

Trade Receivables Turnover Days

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

Trade and Bills Payables Turnover Days

During the reporting period, trade and bills payables turnover days came to 69.1 days (31 December 2014: 46.4 days), calculated as the average of the beginning and ending balances of trade and bills payables for the year divided by cost of sales for the year and multiplied by 365 days. The increase in trade and bills payables turnover days was mainly because the Group strengthened its bargaining power by conducting bulk procurements with the suppliers, and therefore the relevant payment terms in contracts became more favorable. The Group settled its payables within one to six months in general and kept good payment records.

Inventory Turnover Days

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

Gearing Ratio

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

Bank Borrowing

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

Management Discussion and Analysis (continued)

Pledge of Assets

As at 31 December 2015, the Group had pledged deposits of RMB4.5 million (31 December 2014: RMB2 million) for bills payable and guarantees to the bank in connection with the amounts advanced by the bank to certain of the Group's customers for the settlement of the trade balances due from these customers to the Group.

Capital Structure

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

Risk of Foreign Exchange

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

Contingent Liabilities

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

OUTLOOK

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

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

Management Discussion and Analysis (continued)

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

EMPLOYEES AND REMUNERATION

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

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

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

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

Directors and Senior Management Biographies

DIRECTORS

Executive Directors

Mr. Li Zhenhui (李振輝), aged 56, a founder of the Group, is the Chairman, Chief Executive Officer and an executive director of the Company. He is also a member of the Remuneration Committee of the Company. Mr. Li is mainly responsible for the overall management, strategic planning and business development of the Group. Mr. Li has over 22 years of experience in personal care products industry of China gained from his work in the Group. Mr. Li founded the children's personal care products brand of "青蛙王子 (Frog Prince)" in 1999 and has focused his efforts on developing children's personal care products since then. Mr. Li was the vice president of "Brand Alliances" of the 14th to 18th China Beauty Expo (Shanghai CBE) (第14至18屆中國美容博覽會（上海CBE）「品牌聯盟」). Mr. Li was appointed as the president of Fujian Daily Chemical Import and Export Association (福建省日用化學品進出口商會) in June 2010. He was appointed as the vice chairman of China Association of Fragrance Flavor and Cosmetic Industries (中國香料香精化妝品工業協會) in September 2013. Mr. Li has also been recognized with several awards and recognitions, including "Exceptional Entrepreneur" (功勳企業家) of China beauty chemicals in 2004 and "Ten New Economic Hero of West-Straits" (十大海西新經濟英雄) by Straits News (海峽都市報) in January 2010. Mr. Li attended the EMBA program of the Finance and Securities Research Institute of the Central University of Finance and Economics (中央財經大學金融證券研究所EMBA), a long distance training course, and received a diploma in 2004. He also received a senior economist certificate as approved by Fujian Provincial Personnel Department (福建省人事廳) in 2007. Mr. Li attended the course of Chinese classics studies for entrepreneurs (Chinese Culture Class No. 12) (企業家國學經典研修課程（國學班第12期）) at EDP Centre (高層管理培訓中心) of School of Management, Xiamen University since March 2015. Mr. Li is the sole shareholder and director of Zhenfei Investment Company Limited (a controlling shareholder of the Company) and the director of Prince Frog International Company Limited (a wholly-owned subsidiary of Zhenfei Investment Company Limited and a controlling shareholder of the Company).

Mr. Xie Jinling (謝金玲), aged 57, a founder of the Group, is an executive director of the Company. He is also a director and a vice general manager of Frog Prince (China) (a wholly-owned subsidiary of the Company). Mr. Xie has over 22 years of experience in personal care products industry of China gained from his work in the Group. He is mainly responsible for the management of new facilities construction of the Group. He received a high school diploma in 1976. Mr. Xie is also the sole shareholder and director of Jinlin Investment Company Limited (a substantial shareholder of the Company).

Mr. Ge Xiaohua (葛曉華), aged 46, is an executive director of the Company and a vice general manager of Frog Prince (China) (a wholly-owned subsidiary of the Company). Mr. Ge is currently responsible for the daily administration of R&D Center and Human Resources Center of the Group. He joined the Group in January 2002 and has successively been responsible for the Group's production management and domestic marketing management. Prior to joining the Group, he worked for Nanjing Phosphate Fertilizer Factory (南靖磷肥廠) from March 1991 to August 1997, for Fujian Fulong Biological Products Co., Ltd. (福建福龍生物製品有限公司) from September 1997 to February 1999 and for Zhangzhou Ge Laiya Cosmetics Co., Ltd. (漳州格萊雅化妝品有限公司) as a manager from March 1999 to December 2001. He received a diploma in chemical technology from Fu Jian Chemical Industry School (福建化工學校) in 1988 and a diploma in economic management from the Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in 1997.

Directors and Senior Management Biographies (continued)

Mr. Huang Xinwen (黃新文), aged 49, is an executive director of the Company and a vice general manager of Frog Prince (China) (a wholly-owned subsidiary of the Company). Mr. Huang has about 11 years of experience in the international trade, and is currently responsible for the Group's international trade and production management. He joined the Group in May 1995 as a part time manager of the equipment division and formally joined the Group as a manager of the international division in March 2003. In August 2004, he was appointed as the manager of the international trade department of the Group, and was appointed as the vice general manager of the Group in October 2006. Prior to joining the Group, he once served at the production department of an aluminum container company in Zhangzhou City, Fujian Province. He received a diploma in light industry machinery from Longxi Area Technical School (龍溪地區工業學校) in 1986.

Mr. Li Zhouxin (李周欣), aged 32, was appointed as an executive director of the Company on 27 January 2016. He is also the Chief Financial Officer of the Company, primarily responsible for developing the Company's strategic development plans, managing the Company's financial affairs, and assessing the external investment projects and internal audit affairs. Mr. Li joined the Group in November 2011 as the director of strategic development center of Frog Prince (China) (a wholly-owned subsidiary of the Company). Since 1 January 2014, he has served as the chief financial officer of Frog Prince (China), responsible for comprehensive financial management of Frog Prince (China). Mr. Li is currently the vice general manager of Frog Prince (China). He was also appointed as a director of Frog Prince (China) in February 2016. Mr. Li was also appointed as the sole director of Overseas Travel Science and Technology Limited (a wholly-owned subsidiary of the Company) since its incorporation in February 2016. Prior to joining the Group, Mr. Li worked as an auditor and assistant manager of the audit division at KPMG Consulting (China) Co. Ltd. from August 2007 to December 2010. From December 2010 to November 2011, he served as finance manager at a company listed on the main board of NASDAQ. Mr. Li graduated from Fuzhou University with a bachelor degree in finance in 2007. Mr. Li is a PRC certified public accountant (non-practising) and a certified management accountant recognised by Institute of Management Accountants USA. Mr. Li also holds a Certification in Risk Management Assurance accredited by The Institute of Internal Auditors.

Non-executive Director

Mr. Ren Yunan (任煜男), aged 40, was appointed as an independent non-executive director of the Company on 18 February 2011, re-designated to a non-executive director and appointed as the Vice Chairman of the Board on 16 October 2015. He is also a member of both the Audit Committee and the Nomination Committee of the Company. Mr. Ren graduated from Peking University with a bachelor degree in law in 1997 and received a master degree in law from Harvard Law School in 1999. Mr. Ren is a non-practising solicitor in Hong Kong, and is qualified to practice law in New York, the United States of America. Mr. Ren was appointed as an independent non-executive director of Ronshine China Holdings Limited (a company listed on the Main Board of the Stock Exchange; stock code: 3301) in January 2016, as an independent director of SPI Energy Co., Ltd. (a company listed on the NASDAQ; stock code: SPI; formerly known as Solar Power, Inc.) in April 2015, and as a non-executive director of Labixiaoxin Snacks Group Limited (a company listed on the Main Board of the Stock Exchange; stock code: 1262) in February 2015. From March 2012 to June 2015, Mr. Ren has served as an independent director and the chairman of audit committee of IDI, Inc. (a company listed on New York Stock Exchange AMEX; stock code: IDI). From May 2013 to November 2013, Mr. Ren had served as an independent non-executive director of Vision Fame International Holding Limited (a company listed on the Main Board of the Stock Exchange; stock code: 1315).

Directors and Senior Management Biographies (continued)

Independent Non-executive Directors

Mr. Chen Shaojun (陳少軍), aged 64, was appointed as an independent non-executive director of the Company on 18 February 2011. He is also a member of both the Audit Committee and the Nomination Committee of the Company. Mr. Chen was also appointed as a member of the Remuneration Committee of the Company on 16 October 2015. He once worked as the chief of the Industry Guidance Department Office at the former Ministry of Light Industry and the senior vice manager and the chief of the administration division at China Everbright (Group). He is currently the president of China Association of Fragrance Flavour and Cosmetics Industries (中國香料香精化妝品工業協會). He studied at Mianyang Branch School of Tsinghua University (清華大學綿陽分校) from March 1975 to September 1978, and then attended the postgraduate economic management program for leaders of the Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院領導幹部在職經濟管理研究生班) from September 1996 to July 1999.

Mr. Wong Wai Ming (黃偉明), aged 43, was appointed as an independent non-executive director of the Company on 18 February 2011. He is also the chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee of the Company. On 16 October 2015, he was also appointed as the Chairman of both the Remuneration Committee and the Nomination Committee of the Company. Mr. Wong obtained a bachelor degree in business administration from The Chinese University of Hong Kong in 1994. He is a fellow of Hong Kong Institute of Certified Public Accountants and a fellow of Association of Chartered Certified Accountants. Mr. Wong has over 20 years of experience in auditing, accounting and finance fields. He had worked for several listed companies as director or chief financial officer. He is currently the chief financial officer of a pharmaceutical group in Hong Kong.

Mr. Lee Man Chiu (李文昭), aged 43, was appointed as an independent non-executive director of the Company on 16 October 2015. He graduated from Harvard University with a bachelor's degree in Arts in 1994 and received a Juris Doctor degree from Georgetown University Law Center in 1998. Mr. Lee is a non-practising solicitor in Hong Kong and was also admitted to the Bar in New York in 1999. Mr. Lee was a partner at international law firms, Locke Lord LLP and Hogan Lovells LLP, and has advised on a broad range of transactions, including equity offerings and listings, private equity and venture capital, cross-border mergers and acquisitions, and general corporate and banking.

COMPANY SECRETARY

Ms. So Yee Kwan (蘇漪筠), aged 34, was appointed as a company secretary of the Company on 24 January 2014. Ms. So is a Manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services. She has extensive experience in a diversified range of corporate services and has been providing professional secretarial services to many companies listed on the Stock Exchange for the past 11 years. Ms. So is a Chartered Secretary and an Associate of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. So received a Bachelor's degree in International Business Management from Oxford Brookes University in the United Kingdom and a Master of Arts in Professional Accounting and Information Systems from City University of Hong Kong.

Directors and Senior Management Biographies (continued)

SENIOR MANAGEMENT

Mr. Liu Longping (劉龍平), aged 38, is the vice general manager and the general manager of the domestic marketing business of Frog Prince (China) (a wholly-owned subsidiary of the Company). Mr. Liu has more than 14 years of experience in sales and marketing. He joined the Group in February 2001 and is responsible for marketing of the children's personal care products of the Group. He received a diploma in foreign economy and financial accounting from Fujian Quanzhou Cishan Finance School (福建泉州慈山財經學校) in 1998 and received a diploma in human resource management from Fujian Agriculture and Forestry University (福建農林大學) in 2007.

Mr. Chen Wanjin (陳萬金), aged 44, joined the Group on 30 April 2015. Mr. Chen established Fujian Azalli Daily Chemicals Ltd. (福建愛潔麗日化有限公司) (i.e, Azalli, a subsidiary of the Company) in 2002 and was the general manager responsible for the daily operation and management of Azalli. He was appointed as a vice general manager of Frog Prince (China) (a wholly-owned subsidiary of the Company) in September 2015. Mr. Chen currently serves as a member of the 3rd Preventive Dentistry Professional Committee (第三屆預防口腔醫學專業委員會) under Fujian Stomatological Association (福建省口腔醫學會) and also as a member of the 2nd session of Zhangzhou Association of Enterprises and Entrepreneurs (漳州市企業與企業家聯合會). Mr. Chen received a diploma majoring in public relations and secretary at Fujian Economic School in June 1995. He was conferred two professional and technical qualifications of "Junior Assistant Economist" and "Intermediate Chemical Engineer" from the Public Servant Bureau of Fujian Province (福建省公務員局) and the Office of Human Resources Development of Fujian Province (福建省人力資源開發辦公室) respectively in December 2012 and January 2014.

Ms. Han Xinbin (韓新彬), aged 38, is the production manager of Frog Prince (China) (a wholly-owned subsidiary of the Company). Ms. Han has nearly 14 years of experience in the children's daily chemicals industry of China. She joined the Group in October 2001 and is primarily responsible for management of the production and supply chain of the Group. Prior to joining the Group, she worked for Fujian Longxi Instrument Meter Factory (福建龍溪儀錶廠) from 1996 to 1998. Ms. Han received a diploma in accounting from Xiamen University in 2000.

Mr. Wen Wenzhong (溫文忠), aged 49, is the manager of the research and development and quality guarantee department of Frog Prince (China) (a wholly-owned subsidiary of the Company). Mr. Wen has over 25 years of experience in the research and development of children's personal care products. He joined the Group in May 2005 and is responsible for research and development of our children's personal care products and the management of quality control. Prior to joining the Group, he served as a project engineer in the Research Laboratory of Zhangzhou Chemicals Factory (漳州市化學品廠研究所) for 15 years. Mr. Wen currently serves as a member of National Technical Committee on Fragrance and Flavor Cosmetic of Standardisation Administration (全國香料香精化妝品標準化技術委員會). He received a master degree in organic chemical science from Dalian University of Technology in 1990.

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The Board is committed to strengthening the Group's corporate governance practices and ensuring transparency and accountability of the Company's operations.

The Company has applied the principles as contained in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board considers that during the year ended 31 December 2015, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Company and enhancing value to investors. All the directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and its shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

The senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

Corporate Governance Report (continued)

A2. Board Composition

The composition of the Board as at 31 December 2015 is as follow:

Executive directors:

Mr. Li Zhenhui	*(Chairman of the Board, Chief Executive Officer and Member of the Remuneration Committee)*
Mr. Xie Jinling	
Mr. Ge Xiaohua	
Mr. Huang Xinwen	
Ms. Hong Fang	

Non-executive director:

Mr. Ren Yunan	*(Vice Chairman of the Board, Member of the Audit Committee and Member of the Nomination Committee)*

Independent non-executive directors:

Mr. Chen Shaojun	*(Member of the Audit Committee, Member of the Remuneration Committee and Member of the Nomination Committee)*
Mr. Wong Wai Ming	*(Chairman of the Audit Committee, Chairman of the Remuneration Committee and Chairman of the Nomination Committee)*
Mr. Lee Man Chiu	

Throughout the year ended 31 December 2015, the Board has met the requirements of Listing Rules 3.10 and 3.10A of having three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications, and accounting and related financial management expertise.

Subsequent to the year ended 31 December 2015, Ms. Hong Fang resigned as an executive director of the Company due to her intention to develop other business, and Mr. Li Zhouxin, the Company's Chief Financial Officer, was appointed as an executive director of the Company with effect from 27 January 2016.

The members of the Board have experience and skills appropriate for the business requirements and objectives of the Group. Each executive director is responsible for different business and functional divisions of the Group in accordance with his/her areas of expertise. The independent non-executive directors bring different business and financial expertise, experience and independent judgment to the Board, and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests, the independent non-executive directors had made contributions to the effective direction of the Company and provided adequate supervision and balances to safeguard the interests of both the Group and the shareholders.

Corporate Governance Report (continued)

The biographical details of the directors of the Company are set out under the section headed "Directors and Senior Management Biographies" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent in light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive

Code provision A.2.1 of the CG Code 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 22 years of experiences in personal care products industry. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Li provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive in the same person will not impair the balance of power and authority between the Board and the management of the Company.

A4. Appointment and Re-election of Directors

The Company's Articles of Association contain provisions on the procedures and process of appointment and removal of directors.

According to the Company's Articles of Association, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

Each director, including the non-executive director and independent non-executive directors, is engaged for a term of three years, subject to renewal upon expiry of the term. They are also subject to re-election in accordance with the Company's Articles of Association provisions as mentioned above.

Corporate Governance Report (continued)

At the forthcoming annual general meeting of the Company to be held on 16 June 2016 (the "2016 AGM"), Mr. Ge Xiaohua, Mr. Huang Xinwen, Mr. Li Zhouxin, Mr. Wong Wai Ming and Mr. Lee Man Chiu shall retire pursuant to the Company's Articles of Association provisions stated in the foregoing paragraphs. All the above five retiring directors, being eligible, will offer themselves for re-election at the 2016 AGM. The Board and the Nomination Committee recommended their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above five directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

Each newly appointed director shall receive instruction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group, and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to directors from time to time for their studying and reference.

During the year ended 31 December 2015, all directors complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

– The Company organized various training sessions relating to directors' duties and responsibilities, corporate governance and the Group's business. Mr. Li Zhenhui, Mr. Xie Jinling, Mr. Ge Xiaohua, Mr. Huang Xinwen and Ms. Hong Fang attended such training sessions.

– All directors (being Mr. Li Zhenhui, Mr. Xie Jinling, Mr. Ge Xiaohua, Mr. Huang Xinwen, Mr. Ren Yunan, Mr. Chen Shaojun, Mr. Wong Wai Ming, Mr. Lee Man Chiu and Ms. Hong Fang) received regular briefings and updates from the Company on the Group's business, operations and corporate governance matters.

– Mr. Li Zhenhui, Mr. Xie Jinling, Mr. Ge Xiaohua, Mr. Wong Wai Ming, Mr. Lee Man Chiu and Ms. Hong Fang attended relevant seminars organized by other professional firms/institutions/the Stock Exchange.

– Mr. Li Zhenhui, Mr. Xie Jinling, Mr. Ge Xiaohua, Mr. Huang Xinwen, Mr. Wong Wai Ming and Ms. Hong Fang read technical bulletins, periodicals and other publications on subjects relevant to the Group and on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

A6. Directors' Attendance Records

The attendance records of each director at the Board and Board committees meetings and the general meeting of the Company held during the year ended 31 December 2015 are set out below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive directors:					
Mr. Li Zhenhui	5/5	N/A	1/1	N/A	1/1
Mr. Xie Jinling	5/5	N/A	N/A	N/A	1/1
Mr. Ge Xiaohua	5/5	N/A	N/A	N/A	1/1
Mr. Huang Xinwen	5/5	N/A	N/A	N/A	1/1
Ms. Hong Fang *(Note 1)*	5/5	N/A	N/A	N/A	1/1
Non-executive director:					
Mr. Ren Yunan *(Note 2)*	5/5	2/2	1/1	1/1	1/1
Independent non-executive directors:					
Mr. Chen Shaojun *(Note 3)*	5/5	2/2	–	1/1	0/1
Mr. Wong Wai Ming	5/5	2/2	1/1	1/1	0/1
Mr. Lee Man Chiu *(Note 4)*	1/1	N/A	N/A	N/A	–

Notes:

1. Subsequent to the year ended 31 December 2015, Ms. Hong Fang resigned and Mr. Li Zhouxin was appointed as an executive director with effect from 27 January 2016.

2. Mr. Ren Yunan was re-designated from an independent non-executive director to a non-executive director and ceased to be the Chairman of the Remuneration Committee with effect from 16 October 2015. Before the aforesaid change, 1 Remuneration Committee meeting was held during the year ended 31 December 2015.

3. Mr. Chen Shaojun was appointed as a member of the Remuneration Committee with effect from 16 October 2015. After his appointment, no Remuneration Committee meeting was held during the year ended 31 December 2015.

4. Mr. Lee Man Chiu was appointed as an independent non-executive director with effect from 16 October 2015. After his appointment, 1 Board meeting and no general meeting were held during the year ended 31 December 2015.

In addition, the Chairman of the Board held a meeting with the non-executive directors (including the independent non-executive directors) without the presence of executive directors during the year under review.

Corporate Governance Report (continued)

A7. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Each director has been given a copy of the Model Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Model Code throughout the year ended 31 December 2015.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

A8. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

During the year under review, the Board has performed such corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices, (ii) reviewed and monitored the training and continuous professional development of directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the compliance of the Model Code and the Employee Written Guidelines, and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

B. BOARD COMMITTEES

The Board established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website. All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Remuneration Committee

On 1 January 2015, the Remuneration Committee comprised a total of three members, being an executive director, namely Mr. Li Zhenhui, and two independent non-executive directors, namely Mr. Ren Yunan and Mr. Wong Wai Ming. On 16 October 2015, Mr. Ren Yunan was re-designated from an independent non-executive director to a non-executive director and ceased to be the chairman of the Remuneration Committee, while Mr. Wong Wai Ming and Mr. Chen Shaojun (the Company's independent non-executive directors) were appointed as the chairman and a member of the Remuneration Committee on the same date respectively. The majority of the Remuneration Committee members are independent non-executive directors.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure, the remuneration packages of executive directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted) and the remuneration of non-executive directors. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Group as well as market practice and conditions.

During the year ended 31 December 2015, the Remuneration Committee has held 1 meeting (the attendance records of each Committee member are set out in section A6 above). The Remuneration Committee performed the following major works during the year:

– Generally review and discussion of the remuneration packages, policy and structure of the directors and the senior staff of the Group, and recommendation to the Board; and

– Consideration of and recommendation to the Board on the respective remuneration packages for Mr. Ren Yunan upon his re-designation from an independent non-executive director of the Company to a non-executive director, and Mr. Lee Man Chiu upon his appointment as an independent non-executive director of the Company.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by bands for the year ended 31 December 2015 is set out below:

Remuneration band *(RMB)*	**Number of individuals**
0 – 250,000	3
250,001 – 500,000	1

Details of the remuneration of each director of the Company for the year ended 31 December 2015 are set out in note 8 to the financial statements contained in this annual report.

Corporate Governance Report (continued)

B2. Nomination Committee

The Nomination Committee comprises a total of three members, being an existing non-executive director, namely Mr. Ren Yunan, and two existing independent non-executive directors, namely Mr. Chen Shaojun and Mr. Wong Wai Ming. On 16 October 2015, Mr. Ren Yunan was re-designated from an independent non-executive director to a non-executive director and ceased to be the chairman of the Nomination Committee, and Mr. Wong Wai Ming was appointed as the chairman of the Nomination Committee. The majority of the Nomination Committee members are independent non-executive directors.

The principal responsibilities of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company also recognizes and embraces the benefit of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board diversity. To comply with the code provision A.5.6 of the CG Code, a Board diversity policy was adopted by the Company, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

Corporate Governance Report (continued)

During the year ended 31 December 2015, the Nomination Committee has held 1 meeting (the attendance records of each Committee member are set out in section A6 above). The Nomination Committee performed the following major works during the year:

- Review of the Board composition and structure;

- Consideration of and recommendation to the Board on the re-election of the retiring directors at the 2015 annual general meeting;

- Assessment of the independence of the then three independent non-executive directors of the Company; and

- Consideration of and recommendation to the Board on the following changes in the Company:

  (i) Re-designation of Mr. Ren Yunan from an independent non-executive director to a non-executive director, and appointment of Mr. Ren as the Vice Chairman of the Board;

  (ii) Appointment of Mr. Lee Man Chiu as an independent non-executive director;

  (iii) Appointment of Mr. Wong Wai Ming as the chairman of both the Remuneration Committee and Nomination Committee in place of Mr. Ren Yunan; and

  (iv) Appointment of Mr. Chen Shaojun as a member of the Remuneration Committee in place of Mr. Ren Yunan.

Corporate Governance Report (continued)

B3. Audit Committee

The Audit Committee comprises a total of three members, being an existing non-executive director, namely Mr. Ren Yunan, and two existing independent non-executive directors, namely Mr. Wong Wai Ming and Mr. Chen Shaojun. The chairman of the Audit Committee is Mr. Wong Wai Ming, who possesses the appropriate professional qualifications, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year ended 31 December 2015, the Audit Committee has held 2 meetings (the attendance records of each Committee member are set out in section A6 above). The Audit Committee performed the following major works during the year:

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2014, the related accounting principles and practices adopted by the Group and internal controls related matters, and recommendation of the re-appointment of the external auditors;

– Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2015, and the related accounting principles and practices adopted by the Group;

– Review of the internal control matters of the Group, and recommendation to the Board;

– Review of the status of compliance with the undertakings under the Deed of Non-Competition by the relevant parties; and

– Review of the continuing connected transaction of the Group.

The external auditors were invited to attend the said meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of shareholders and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group.

E. COMPANY SECRETARY

During the year ended 31 December 2015, the Company's joint company secretaries are Ms. So Yee Kwan of Tricor Services Limited, an external service provider, and Ms. Huang Yishan. On 15 January 2016, Ms. Huang Yishan resigned as the Company's joint company secretary. Immediately after Ms. Huang's resignation, Ms. So Yee Kwan continues to act as the sole company secretary of the Company. The primary contact of Ms. So Yee Kwan at the Company is Mr. Li Zhouxin, an executive director and the Chief Financial Officer of the Company.

During the year ended 31 December 2015, both Ms. Huang Yishan and Ms. So Yee Kwan have taken not less than 15 hours of relevant professional training.

Corporate Governance Report (continued)

F. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2015 is set out in the section headed "Independent Auditors' Report" in this annual report.

The fees paid/payable to Ernst & Young, the Company's auditors, in respect of audit services and non-audit services for the year ended 31 December 2015 are analyzed below:

Type of services provided by the external auditors	**Fees paid/payable**
Audit services:	
– Audit fee for the year ended 31 December 2015	RMB2,801,000
Non-audit services:	
– Agreed upon procedures on interim results for the six months ended 30 June 2015	RMB547,000
TOTAL:	RMB3,348,000

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at www.princefrog.com.cn, as a communication platform with shareholders and investors, where extensive information and updates on the Company's business developments and operations, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: No. 8, North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province, The People's Republic of China
Fax no.: (86) 596 217 2553
Email: ir@princefrog.com.cn

Inquiries are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

H. SHAREHOLDER RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Company's Articles of Association by sending a written requisition to the Board or the Company Secretary at the Company's head office/principal place of business in Hong Kong. The objects of the meeting must be stated in the written requisition.

(2) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, pursuant to Article 85 of the Company's Articles of Association, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her/its intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office/principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law.

During the year under review, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association of the Company is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

All resolutions put forward at shareholders' meetings shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.princefrog.com.cn) after each shareholders' meeting.

Report of the Directors

The directors of Company present their report and the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the design and provision of a broad range of children's personal care products, including skin care products, body and hair care products and oral care products under our own brands in the PRC.

BUSINESS REVIEW

The business review required under Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's performance during the year using financial key performance indicators and an indication of likely future development in the Group's business, is set out in the "Management Discussion and Analysis" on pages 6 to 16 of this annual report. This discussion forms part of this "Report of the Directors".

FINANCIAL STATEMENTS

The Group's loss for the year ended 31 December 2015 and the Group's financial position at that date are set out in the financial statements on pages 56 to 130 of this annual report.

SHARE CAPITAL

There were no movements in the Company's share capital during the year. Details of the Company's share capital are set out in note 27 to the financial statements.

FINAL DIVIDEND

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

SUMMARY FINANCIAL INFORMATION

A summary of the financial information of the Group for the last five financial years is set out on page 131 of this annual report. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company was incorporated in the Cayman Islands while most of the Group's operations are performed in domestic China and the Company was listed on the Stock Exchange. During the year ended 31 December 2015, as far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations that have a significant impact on the Group's business and operation by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks and uncertainties that the Group faces during its operation. Such risks and uncertainties include factors such as economy conditions of both inside and outside China, PRC's foreign exchange policies, changes relating to laws and regulations and enforcement policies, and the price and supply of raw materials. While these risks continue to exist, the Group will closely monitor any signs of these occurrence and all departments of the Group will be involved in identifying and evaluating risks relating to their operational scope. Subsequently, appropriate plans will be devised to minimize the impacts derived from risks and uncertainties confronting the operation of the Group.

ENVIRONMENTAL PROTECTION POLICY

The Group has established a dedicated environmental protection department. The environmental protection department is responsible for overseeing the environmental protection of the Group as a whole, such as formulating environmental-related guidelines and policies for the Group in order to ensure compliance with the applicable environmental laws, regulations and standards, monitoring the latest development in the environmental-related laws, regulations and standards in the PRC in order to ensure the internal environmental protection guidelines and polices of the Group is appropriate, monitoring the compliance with the applicable environmental laws, regulations and standards by regularly inspecting the production facilities and the pollutant discharge facilities of the Group, handling the application for environmental protection approvals, and the inspection and any other necessary filings for the construction projects of the Group, liaising with the governmental environment protection authorities in the PRC as and when required, and formulating contingency plan for any environmental-related emergency and handling such emergency.

Report of the Directors (continued)

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB346,843,000. In addition, the Company's share premium account, in the amount of RMB448,802,000, may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 15.7% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 34.9% of the total purchases for the year, and the purchases from the largest supplier accounted for 9.5% of the total purchases for the year.

None of the directors of the Company or any of their close associates or any shareholders (which, to the knowledge of the directors, own more than 5% of the Company's number of issued shares) had any beneficial interest in the Group's five largest customers or suppliers.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

The Group regards the personal development of its employees as highly important and strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. For details, please refer to the section headed "Employees and Remuneration" in the "Management Discussion and Analysis".

Customers

The Group has strengthened relationships with the existing customers while cultivating relationships with potential customers and has established long-term co-operation relationships with many customers. We visit customers' offices to approach and keep contact with them. The Group has organized a marketing team with nationwide coverage as well as a business team which is capable of maintaining close co-operation with overseas customers.

Suppliers

The Group has developed long-standing co-operation relationships with the Group's vendors and taken great care to ensure that they can share our commitment to product quality and morality. The Group carefully selected suppliers and required them to satisfy certain assessment criteria, including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness. The Group also required suppliers to comply with our anti-bribery policy.

DONATIONS

Donations made by the Group during the year ended 31 December 2015 amounted to approximately RMB1,890,000.

DIRECTORS

The directors of the Company during the year and as at the date of this report were as follows:

Executive Directors

Mr. Li Zhenhui
Mr. Xie Jinling
Mr. Ge Xiaohua
Mr. Huang Xinwen
Mr. Li Zhouxin (Appointed on 27 January 2016)
Ms. Hong Fang (Resigned on 27 January 2016)

Non-executive Director

Mr. Ren Yunan (Re-designated from independent non-executive director on 16 October 2015)

Independent Non-executive Directors

Mr. Chen Shaojun
Mr. Wong Wai Ming
Mr. Lee Man Chiu (Appointed on 16 October 2015)

Pursuant to Article 83(3) of the Company's Articles of Association, Mr. Li Zhouxin and Mr. Lee Man Chiu, the directors newly appointed on 27 January 2016 and 16 October 2015, respectively, shall retire at the 2016 AGM. In addition, pursuant to Article 84 of the Company's Articles of Association, Mr. Huang Xinwen, Mr. Ge Xiaohua and Mr. Wong Wai Ming will retire from office as directors of the Company by rotation at the 2016 AGM. All of the above five retiring directors, being eligible, will offer themselves for re-election at the 2016 AGM.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 17 to 20 of this annual report.

Report of the Directors (continued)

SERVICE CONTRACTS OF DIRECTORS

Each of the executive directors and the non-executive director has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than one month's notice in writing served by either party on the other.

There was no service contract entered into by the Company and any directors to be re-elected in the coming annual general meeting which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than those transactions disclosed in note 35(i) to the financial statements and in the section headed "Continuing Connected Transaction" below, none of directors of the Company or their connected entities had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the directors is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year and subsisted at the end of the year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. Details of the Scheme are disclosed in note 28 to the financial statements.

As at the date of this annual report, the total number of shares of the Company available for issue under the Scheme was 95,775,000 shares, representing approximately 9.48% of the number of issued shares of the Company.

The following table discloses movements of the Company's share options, granted under the Scheme, during the year ended 31 December 2015:

			Number of options						
Name or category of participants	**Date of grant** *(Note 1)*	**Exercise price per share** *(HK$)*	**Outstanding as at 1 January 2015**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Forfeited/ lapsed during the year**	**Outstanding as at 31 December 2015**	**Exercise period** *(Note 2)*
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	
Sub-total			*3,360,000*	–	–	–	–	*3,360,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2015	Exercise period *(Note 2)*
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	
Sub-total			*2,800,000*	–	–	–	–	*2,800,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2015	Exercise period *(Note 2)*
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	
Sub-total			*2,400,000*	–	–	–	–	*2,400,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2015	Exercise period (Note 2)
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	
Sub-total			*2,400,000*	–	–	–	–	*2,400,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2015	Exercise period (Note 2)
Ms. Hong Fang (resigned on 27 January 2016)	14 October 2011	1.92	400,000	–	–	–	–	400,000	A
			300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			1,000,000	–	–	–	–	1,000,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	1,200,000	–	–	–	–	1,200,000	G
			900,000	–	–	–	–	900,000	H
			900,000	–	–	–	–	900,000	I
			3,000,000	–	–	–	–	3,000,000	
Sub-total			*4,800,000*	–	–	–	–	*4,800,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2015	Exercise period *(Note 2)*
Non-executive Director									
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	
Sub-total			*400,000*	–	–	–	–	*400,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2015	Exercise period *(Note 2)*
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	
Sub-total			*400,000*	–	–	–	–	*400,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2015	Exercise period (Note 2)
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	
Sub-total			*400,000*	–	–	–	–	*400,000*	
Total for directors			**16,960,000**	–	–	–	–	16,960,000	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2015	Exercise period *(Note 2)*
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	–	–	–	(24,000)	797,600	D
			1,384,200	–	–	–	(36,000)	1,348,200	E
			1,384,200	–	–	–	(36,000)	1,348,200	F
			3,590,000	–	–	–	(96,000)	3,494,000	
	26 September 2014	1.83	6,896,000	–	–	–	(220,000)	6,676,000	G
			5,172,000	–	–	–	(165,000)	5,007,000	H
			5,172,000	–	–	–	(165,000)	5,007,000	I
			17,240,000	–	–	–	(550,000)	16,690,000	
Total for employees			**24,450,000**	**–**	**–**	**–**	**(664,000)**	**23,786,000**	
Total			**41,410,000**	**–**	**–**	**–**	**(664,000)**	**40,746,000**	

As at 31 December 2015, the Company had 40,746,000 share options outstanding under the Scheme. Should they be fully exercised, the Company will receive approximately HK$83,547,000 (equivalent to approximately RMB70,019,000) (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy (note 2.4 to the financial statements) amounted to approximately HK$32,109,000 (equivalent to approximately RMB26,901,000).

On 28 December 2015, a total of 41,136,500 share options were offered by the Company. Such share options were granted after the acceptance of the grantees subsequent to the year end. The movements and particulars of such share options will be disclosed in the Company's interim report for the six months ending 30 June 2016 pursuant to the Listing Rules.

Report of the Directors (continued)

Notes:

1. The closing prices of the Company's shares immediately before the dates of grant on 14 October 2011, 21 June 2012 and 26 September 2014 were HK$1.98, HK$2.94 and HK$1.86, respectively.

2. The respective exercise periods of the share options granted are as follows:

   A: From 14 October 2012 to 13 October 2021
   B: From 14 October 2013 to 13 October 2021
   C: From 14 October 2014 to 13 October 2021
   D: From 21 June 2013 to 20 June 2022
   E: From 21 June 2014 to 20 June 2022
   F: From 21 June 2015 to 20 June 2022
   G: From 26 September 2015 to 25 September 2024
   H: From 26 September 2016 to 25 September 2024
   I: From 26 September 2017 to 25 September 2024

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

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

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

As at 31 December 2015, the interests of the Company's directors 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, 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 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:

1. 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.

2. 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 31 December 2015.

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 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%
Mr. Ren Yunan	Beneficial owner	400,000	0.04%
Mr. Chen Shaojun	Beneficial owner	400,000	0.04%
Mr. Wong Wai Ming	Beneficial owner	400,000	0.04%
Ms. Hong Fang *(Note)*	Beneficial owner	4,800,000	0.48%

Note: Ms. Hong Fang has resigned as a director of the Company on 27 January 2016.

\+ The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2015.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 31 December 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.

Report of the Directors (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 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%

Notes:

1. 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".

2. 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".

3. 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".

+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2015.

Save as disclosed above, as at 31 December 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.

CONTINUING CONNECTED TRANSACTION

The independent non-executive directors of the Company have reviewed the continuing connected transaction set out below, which is disclosed in compliance with the requirements of Chapter 14A of the Listing Rules, and have confirmed that the continuing connected transaction was entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's independent auditors, were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the continuing connected transaction disclosed below by the Group in accordance with relevant clauses of Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Details of the Non-exempt Continuing Connected Transaction — Sale of Goods Agreement

Pursuant to the agreement dated 13 June 2011 entered into between Shuangfei Daily Chemicals (USA) Inc. ("Shuangfei (USA)", a company owned as to 51% and 48% by Mr. Li Zhenhui and Mr. Xie Jinling, respectively) and Frog Prince (China), an indirectly wholly-owned subsidiary of the Company, (the "Sale of Goods Agreement"), Frog Prince (China) agreed to sell and Shuangfei (USA) agreed to buy bath and skin care products produced by the Group for a term of 3 years from 13 June 2011 to 12 June 2014. The prices of such bath and skin care products will be determined in accordance with the purchase orders on the basis of arm's length negotiations and with reference to fair market price. On 6 June 2014, Frog Prince (China) and Shuangfei (USA) entered into a new Sale of Goods Agreement (the "New Sale of Goods Agreement") to renew the above continuing connected transaction for a term from 13 June 2014 to 31 December 2016. Other than the time period covered by the New Sale of Goods Agreement, the terms and conditions of the New Sale of Goods Agreement were the same as those of the Sale of Goods Agreement.

During the year under review, the total amounts of goods sold to Shuangfei (USA) under the New Sale of Goods Agreement was approximately RMB5,633,000 and the annual cap for the year ended 31 December 2015 is RMB14,400,000.

Report of the Directors (continued)

CONNECTED TRANSACTIONS

The remaining related party transactions for the year ended 31 December 2015 set out in note 35(i)(b) and (c) to financial statements contained in this annual report also constituted connected transactions of the Group. As confirmed by the directors of the Company, as relevant applicable ratios were below 0.1%, such connected transactions were exempt from the reporting, announcement, annual review and independent shareholders' approval requirements as contained in Chapter 14A of the Listing Rules.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to its directors. The remuneration of all directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of directors' remuneration are set out in note 8 to financial statements.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Apart from the Company's share option scheme, neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the object or one of the objects of such arrangement are/is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the directors of the Company and its related companies is currently in force and were in force throughout the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

DEED OF NON-COMPETITION

The controlling shareholders (i.e. Mr. Li Zhenhui, Zhenfei Investment Company Limited and Prince Frog International Company Limited), Mr. Xie Jinling, Jinlin Investment Company Limited and Fujian Shuangfei Daily Chemicals Co., Ltd. have made an annual declaration on compliance with their undertakings under the Deed of Non-Competition (as defined in the Company's prospectus dated 30 June 2011). The independent non-executive directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the above-mentioned parties for the year ended 31 December 2015.

AUDIT COMMITTEE

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

AUDITORS

Ernst & Young will retire at the 2016 AGM and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the 2016 AGM.

ON BEHALF OF THE BOARD
Li Zhenhui
Chairman

Zhangzhou, the PRC
29 March 2016

Independent Auditors' Report

EY 安永

To the shareholders of China Child Care Corporation Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Child Care Corporation Limited (the "Company") and its subsidiaries set out on pages 56 to 130, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditors' Report (continued)

AUDITORS' RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
29 March 2016

Consolidated Income Statement

Year ended 31 December 2015

	Notes	2015 *RMB'000*	2014 *RMB'000*
REVENUE	5	**913,716**	1,482,469
Cost of sales		**(554,557)**	(777,879)
Gross profit		**359,159**	704,590
Other income and gains	5	**27,156**	26,530
Selling and distribution expenses		**(320,375)**	(430,816)
Administrative expenses		**(95,022)**	(82,237)
Other operating expenses		**(2,672)**	(2,880)
Finance cost	6	**(6)**	–
Impairment of goodwill		**(17,500)**	–
PROFIT/(LOSS) BEFORE TAX	7	**(49,260)**	215,187
Income tax expense	10	**(556)**	(14,794)
PROFIT/(LOSS) FOR THE YEAR		**(49,816)**	200,393
Attributable to:			
Equity holders of the Company		**(50,309)**	200,393
Non-controlling interests		**493**	–
		(49,816)	200,393
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		**RMB(5.0) cents**	RMB19.8 cents
Diluted		**RMB(5.0) cents**	RMB19.8 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	2015 *RMB'000*	2014 *RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**(49,816)**	200,393
Other comprehensive income/(expense):		
Other comprehensive income/(expense) may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of operations outside Mainland China	**22**	(479)
Net other comprehensive income/(expense) may be reclassified to profit or loss in subsequent periods	**22**	(479)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation *(note 13)*	**9,543**	–
Income tax effect	**(2,386)**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**7,157**	–
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**7,179**	(479)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**(42,637)**	199,914
Attributable to:		
Equity holders of the Company	**(43,130)**	199,914
Non-controlling interests	**493**	–
	(42,637)	199,914

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**477,281**	495,666
Investment properties	14	**30,300**	–
Prepaid land lease payments	15	**14,292**	18,730
Goodwill	16	**18,357**	–
Intangible assets	17	**183**	1,623
Prepayments and deposits	20	**3,179**	1,178
Total non-current assets		**543,592**	517,197
CURRENT ASSETS			
Inventories	18	**27,011**	42,572
Trade receivables	19	**41,205**	145,454
Prepayments, deposits and other receivables	20	**13,603**	10,028
Available-for-sale investments	21	**2,008**	2,000
Amount due from a related company	35	**5,903**	6,828
Tax recoverable		**155**	–
Pledged deposits	22	**4,498**	2,000
Cash and cash equivalents	22	**968,757**	966,567
Total current assets		**1,063,140**	1,175,449
CURRENT LIABILITIES			
Trade and bills payables	23	**84,882**	125,083
Other payables and accruals	24	**32,488**	50,489
Interest-bearing bank borrowing	25	**50,000**	–
Amount due to a related company	35	**–**	190
Tax payable		**6,603**	16,840
Total current liabilities		**173,973**	192,602
NET CURRENT ASSETS		**889,167**	982,847
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,432,759**	1,500,044
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	**17,923**	14,600
Net assets		**1,414,836**	1,485,444

Consolidated Statement of Financial Position (continued)

31 December 2015

	Notes	2015 *RMB'000*	2014 *RMB'000*
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	27	**8,386**	8,386
Reserves	29	**1,402,228**	1,477,058
		1,410,614	1,485,444
Non-controlling interests		**4,222**	–
Total equity		**1,414,836**	1,485,444

Li Zhenhui
Director

Li Zhouxin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

		Attributable to equity holders of the Company											
	Notes	Issued capital *RMB'000* *(Note 27)*	Share premium *RMB'000*	Share option reserve *RMB'000*	Capital reserve *RMB'000*	Asset revaluation reserve *RMB'000*	Statutory reserve fund *RMB'000* *(Note 29)*	Capital redemption reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2015		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		–	–	–	–	–	–	–	22	–	22	–	22
Gains on property revaluation, net of tax	13	–	–	–	–	7,157	–	–	–	–	7,157	–	7,157
Profit/(loss) for the year		–	–	–	–	–	–	–	–	(50,309)	(50,309)	493	(49,816)
Total comprehensive income/ (expense) for the year		–	–	–	–	7,157	–	–	22	(50,309)	(43,130)	493	(42,637)
Acquisition of a subsidiary	31	–	–	–	–	–	–	–	–	–	–	3,729	3,729
Equity-settled share option arrangements	28	–	–	8,187	–	–	–	–	–	–	8,187	–	8,187
2014 final dividend declared and paid	11	–	(39,887)	–	–	–	–	–	–	–	(39,887)	–	(39,887)
At 31 December 2015		8,386	448,802*	22,317*	11*	7,157*	110,615*	16*	5,879*	807,431*	1,410,614	4,222	1,414,836

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2015

		Attributable to equity holders of the Company											
	Notes	Issued capital *RMB'000* *(Note 27)*	Share premium *RMB'000*	Share option reserve *RMB'000*	Capital reserve *RMB'000*	Asset revaluation reserve *RMB'000*	Statutory reserve fund *RMB'000* *(Note 29)*	Capital redemption reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2014		8,385	528,634	10,816	11	–	92,092	16	6,336	675,870	1,322,160	–	1,322,160
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	(479)	–	(479)	–	(479)
Profit for the year		–	–	–	–	–	–	–	–	200,393	200,393	–	200,393
Total comprehensive income/ (expense) for the year		–	–	–	–	–	–	–	(479)	200,393	199,914	–	199,914
Exercise of share options	27	1	162	(46)	–	–	–	–	–	–	117	–	117
Equity-settled share option arrangements	28	–	–	3,360	–	–	–	–	–	–	3,360	–	3,360
2013 final dividend declared and paid	11	–	(40,107)	–	–	–	–	–	–	–	(40,107)	–	(40,107)
Transfer to statutory reserve		–	–	–	–	–	18,523	–	–	(18,523)	–	–	–
At 31 December 2014		8,386	488,689*	14,130*	11*	-*	110,615*	16*	5,857*	857,740*	1,485,444	–	1,485,444

* These reserve accounts comprise the consolidated reserves of RMB1,402,228,000 (2014: RMB1,477,058,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 *RMB'000*	2014 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(49,260)**	215,187
Adjustments for:			
Finance cost	6	**6**	–
Interest income received from banks	5	**(14,702)**	(17,353)
Income derived from available-for-sale investments	5	**(2,049)**	(4,173)
Loss on disposal of items of property, plant and equipment	7	**526**	–
Depreciation	7	**30,470**	15,883
Amortisation of prepaid land lease payments	7	**355**	434
Amortisation of intangible assets	7	**1,440**	1,440
Equity-settled share option expense	7	**8,187**	3,360
Changes in fair value of investment properties	7	**(3,750)**	–
Impairment of goodwill	7	**17,500**	–
		(11,277)	214,778
Decrease in inventories		**16,554**	14,036
Decrease/(increase) in trade receivables		**114,717**	(21,737)
Increase in prepayments, deposits and other receivables		**(1,860)**	(483)
Increase/(decrease) in trade and bills payables		**(47,793)**	52,272
Increase/(decrease) in other payables and accruals		**(18,653)**	13,917
Movements in balances with related companies		**735**	(4,985)
Exchange realignment		**(835)**	(407)
Cash generated from operations		**51,588**	267,391
Interest received		**14,702**	17,353
Interest paid		**(6)**	–
PRC tax paid		**(10,251)**	(19,830)
Net cash flows from operating activities		**56,033**	264,914

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13, 30	**(23,330)**	(116,104)
Proceeds from disposal of items of property, plant and equipment		**719**	–
Deposits for purchase of items of property, plant and equipment		**(1,214)**	(933)
Decrease/(increase) in available-for-sale investments		**992**	(2,000)
Income derived from available-for-sale investments		**2,049**	4,173
Decrease/(increase) in pledged deposits		**257**	(2,000)
Decrease in time deposits with original maturity of more than three months when acquired		**–**	7,000
Acquisition of a subsidiary	31	**(44,286)**	–
Net cash flows used in investing activities		**(64,813)**	(109,864)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**50,000**	–
Net proceeds from issue of ordinary shares		**–**	117
Dividend paid		**(39,887)**	(40,107)
Net cash flows from/(used in) financing activities		**10,113**	(39,990)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,333**	115,060
Cash and cash equivalents at beginning of year		**966,567**	851,579
Effect of foreign exchange rate changes, net		**857**	(72)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**968,757**	966,567
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**968,757**	966,567

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ establishment and business	Issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Prince Frog Investment Limited *(note 1)*	British Virgin Islands	US$30 (2014: US$30)	100	–	Investment holding
Prince Frog (HK) Daily Chemicals Company Limited *(note 1)*	Hong Kong	HK$10,100 (2014: HK$10,100)	–	100	Investment holding
青蛙王子（中國）日化有限公司 ("Frog Prince (China)") *(notes 1 and 2)*	PRC/Mainland China	US$60,000,000 (2014: US$60,000,000)	–	100	Manufacture and sale of personal care products
青蛙王子（福建）電子商務有限公司 (formerly known as 漳州青蛙王子物流有限公司) *(note 2)*	PRC/Mainland China	RMB500,000 (2014: RMB500,000)	–	100	Dormant
福建愛潔麗日化有限公司 *(note 3)*	PRC/Mainland China	RMB10,000,000	–	80	Manufacture and sale of toothpaste products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Notes:

1. Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

2. Wholly-foreign-owned enterprises established under the law of the PRC

3. A limited liability company established under the law of the PRC

Save for the acquisition of the 80% equity interests in 福建愛潔麗日化有限公司 from an independent third party during the year, there is no change in the percentage of equity of the subsidiaries attributable to the Company. Further details of this acquisition are included in note 31 to the financial statements.

During the year ended 31 December 2014, 青蛙王子(福建)電子商務有限公司 was newly established by the Group on 7 March 2014.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises: (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments* [3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception* [1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations* [1]
IFRS 14	*Regulatory Deferral Accounts* [5]
IFRS 15	*Revenue from Contracts with Customers* [3]
IFRS 16	*Leases* [4]
Amendments to IAS 1	*Disclosure Initiative* [1]
Amendments to IAS 7	*Disclosure Initiative* [2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses* [2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants* [1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements* [1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs [1]

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
6 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on its results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 is measured at fair value with changes in fair value recognised in the income statement. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

Fair value measurement

The Group measures its investment properties and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to Financial Statements (continued)

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies: (continued)

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	20% to $33^1/_3$%
Motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as movements in the asset revaluation reserve.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks

The costs of acquiring the trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated economic life of ten years.

Copyrights

The costs of acquiring the copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated economic life of five years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

All research costs are charged to the income statement as incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and loss arising from impairment are recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest earned whilst holding the available-for-sale financial investments are reported as interest income and are recognised in the income statement in accordance with the policy set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, financial liabilities included in accruals, interest-bearing bank borrowing and an amount due to a related company.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as and are effective hedging instruments are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside income statement is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) rental income, on a time proportion basis over the lease terms.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain subsidiaries operate outside Mainland China are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of an operation outside Mainland China, the component of other comprehensive income relating to that particular operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries operate outside Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries operate outside Mainland China which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of non-financial assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements (continued)

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from a subsidiary in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considered that if it is probable that the profits of the subsidiary in the PRC will not be distributed in the foreseeable future, then no withholding taxes should be provided.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made. Further details were set out in note 16 to the financial statements.

Estimation of fair values of investment properties

The best evidence of fair value is current prices in an active market for similar properties in the same location and condition and subject to similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from: (i) independent valuations; and (ii) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows. The carrying amount at fair value of investment properties as at 31 December 2015 was set out in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of trade receivables. The identification of impairment requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as impairment or write-back of impairment in the period in which such estimate has been changed.

4. 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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income derived from banks, other unallocated income and gains, finance cost as well as corporate and unallocated expenses are excluded from such measurement.

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

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

Notes to Financial Statements (continued)

31 December 2015

4. OPERATING SEGMENT INFORMATION (continued)

	Children's personal care products *RMB'000*	Adults' personal care products *RMB'000*	Other products *RMB'000*	Total *RMB'000*
Year ended 31 December 2015				
Segment revenue:				
Sales to external customers	770,538	32,262	110,916	913,716
Segment results	239,309	11,796	22,817	273,922
Interest income derived from banks				14,702
Other unallocated income and gains				12,454
Corporate and other unallocated expenses				(332,832)
Finance cost				(6)
Impairment of goodwill	(17,500)	–	–	(17,500)
Loss before tax				(49,260)
Segment assets	96,347	1,963	24,061	122,371
Reconciliation:				
Corporate and other unallocated assets				1,484,361
Total assets				1,606,732
Segment liabilities	64,307	2,849	21,040	88,196
Reconciliation:				
Corporate and other unallocated liabilities				103,700
Total liabilities				191,896
Other segment information:				
Depreciation and amortisation	5,228	57	947	6,232
Unallocated depreciation and amortisation				26,033
Total depreciation and amortisation*				32,265
Capital expenditure	5,452	–	840	6,292
Unallocated capital expenditure				17,367
Total capital expenditure**				23,659

4. OPERATING SEGMENT INFORMATION (continued)

	Children's personal care products *RMB'000*	Adults' personal care products *RMB'000*	Other products *RMB'000*	Total *RMB'000*
Year ended 31 December 2014				
Segment revenue:				
Sales to external customers	1,325,863	49,570	107,036	1,482,469
Segment results	598,048	15,635	27,260	640,943
Interest income derived from banks				17,353
Other unallocated income and gains				9,177
Corporate and other unallocated expenses				(452,286)
Profit before tax				215,187
Segment assets	198,425	6,304	24,116	228,845
Reconciliation:				
Corporate and other unallocated assets				1,463,801
Total assets				1,692,646
Segment liabilities	107,896	5,170	15,317	128,383
Reconciliation:				
Corporate and other unallocated liabilities				78,819
Total liabilities				207,202
Other segment information:				
Depreciation and amortisation	6,046	53	446	6,545
Unallocated depreciation and amortisation				11,212
Total depreciation and amortisation*				17,757
Capital expenditure	1,020	–	94	1,114
Unallocated capital expenditure				124,117
Total capital expenditure**				125,231

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

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

Notes to Financial Statements (continued)

31 December 2015

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

6. FINANCE COST

	2015 RMB'000	2014 RMB'000
Interest on bank borrowing	6	–

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		554,557	777,879
Depreciation*	13	30,470	15,883
Amortisation of prepaid land lease payments	15	355	434
Amortisation of intangible assets	17	1,440	1,440
Minimum lease payments under operating leases on land and buildings		2,249	1,535
Loss on disposal of items of property, plant and equipment#		526	–
Employee benefit expenses* (including directors' remuneration *(note 8)*):			
Wages and salaries		72,828	76,928
Equity-settled share option expense		8,187	3,360
Retirement benefit scheme contributions		4,656	3,484
		85,671	83,772
Auditors' remuneration		2,801	2,400
Research and development costs#,^		11,225	9,066
Fair value gains on investment properties	14	(3,750)	–
Direct operating expenses arising from rental-earning investment properties		94	–
Impairment of goodwill	16	17,500	–
Net foreign exchange gain, excluding net fair value gains on foreign exchange derivative financial instruments		(2,503)	(292)

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

^ The research and development costs for the year include an amount of RMB4,100,000 (2014: RMB3,675,000) relating to rental expenses of a research and development centre and staff costs for research and development activities, which is also included in the total amounts disclosed above for each of these types of expenses.

Notes to Financial Statements (continued)

31 December 2015

7. PROFIT/(LOSS) BEFORE TAX (continued)

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

	2015	2014
	RMB'000	*RMB'000*
Depreciation	**16,914**	8,336
Employee benefit expenses	**31,345**	33,901
	48,259	42,237

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Fees:		
Executive directors	**1,844**	3,800
Non-executive director	**100**	–
Independent non-executive directors	**570**	561
Other emoluments:		
Salaries and discretionary bonuses	**56**	–
Equity-settled share option expense	**2,557**	2,646
Retirement benefit scheme contributions	**35**	25
	5,162	7,032

During the years ended 31 December 2014 and 2012, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements and the report of the directors. The fair values of such options, which have been recognised in the income statement over the vesting period, were determined as at the dates of grant and the amounts included in the financial statements for the years ended 31 December 2015 and 2014 are included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Fees	Equity-settled share option expense	Total
	RMB'000	*RMB'000*	*RMB'000*
2015			
Mr. Chen Shaojun	**190**	**67**	**257**
Mr. Lee Man Chiu^	**32**	**1**	**33**
Mr. Ren Yunan#	**158**	**57**	**215**
Mr. Wong Wai Ming	**190**	**67**	**257**
	570	**192**	**762**

	Fees	Equity-settled share option expense	Total
	RMB'000	*RMB'000*	*RMB'000*
2014			
Mr. Chen Shaojun	187	67	254
Mr. Ren Yunan#	187	67	254
Mr. Wong Wai Ming	187	67	254
	561	201	762

^ Mr. Lee Man Chiu was appointed as an independent non-executive director with effect from 16 October 2015.

Mr. Ren Yunan was re-designated from an independent non-executive director to a non-executive director with effect from 16 October 2015.

There were no other emoluments payable to the independent non-executive directors during the year.

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director

	Fees RMB'000	Salaries and discretionary bonuses RMB'000	Equity-settled share option expense RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2015					
Executive directors:					
Mr. Li Zhenhui*	**716**	**–**	**329**	**7**	**1,052**
Mr. Xie Jinling	**193**	**–**	**349**	**7**	**549**
Mr. Ge Xiaohua	**193**	**–**	**349**	**7**	**549**
Mr. Huang Xinwen	**193**	**–**	**349**	**7**	**549**
Ms. Hong Fang**	**549**	**56**	**975**	**7**	**1,587**
	1,844	**56**	**2,351**	**35**	**4,286**
Non-executive director:					
Mr. Ren Yunan***	**100**	**–**	**14**	**–**	**114**
	1,944	**56**	**2,365**	**35**	**4,400**

	Fees RMB'000	Salaries and discretionary bonuses RMB'000	Equity-settled share option expense RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2014					
Executive directors:					
Mr. Li Zhenhui*	1,200	–	377	5	1,582
Mr. Xie Jinling	500	–	382	5	887
Mr. Ge Xiaohua	600	–	382	5	987
Mr. Huang Xinwen	600	–	382	5	987
Ms. Hong Fang**	900	–	922	5	1,827
	3,800	–	2,445	25	6,270

* Mr. Li Zhenhui is also the chief executive officer of the Company.

** Ms. Hong Fang resigned as an executive director with effect from 27 January 2016 and Mr. Li Zhouxin was appointed as an executive director with effect from the same date.

*** Mr. Ren Yunan was re-designated from an independent non-executive director to a non-executive director with effect from 16 October 2015.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2015 and 2014.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2014: five) directors, details of whose remuneration are set out in note 8 above.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE

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

	2015	2014
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**1,195**	51,964
Overprovision in prior years	**(1,576)**	(40,870)
	(381)	11,094
Deferred *(note 26)*	**937**	3,700
Total tax charge for the year	**556**	14,794

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

Pursuant to the granting of the High-New Technology Enterprise certificate by the local authority in the PRC, which was obtained by the Group in April 2014, Frog Prince (China) 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 Financial Statements (continued)

31 December 2015

10. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory tax rates to the tax expense at the Group's effective tax rate is as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Profit/(loss) before tax	**(49,260)**	215,187
Tax at the applicable tax rates	**(9,696)**	54,978
Effect of tax concession for a PRC subsidiary of the Group	**2,171**	(22,913)
Adjustments in respect of current tax of previous years	**(1,576)**	(40,870)
Income not subject to tax	**(1)**	(3)
Expenses not deductible for tax	**7,903**	19,902
Effect of withholding tax at 10% on the distributable profits of a PRC subsidiary of the Group	**–**	3,700
Tax losses not recognised	**1,755**	–
Tax charge at the Group's effective tax rate	**556**	14,794

11. DIVIDENDS

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

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

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

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

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

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

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

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

The calculation of the diluted earnings per share amount for the year ended 31 December 2014 was based on the profit for the year attributable to equity holders of the Company of RMB200,393,000. The weighted average number of ordinary shares of 1,010,987,000 used in the calculation is the weighted average number of ordinary shares of 1,010,479,000 in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares during that year of 508,000.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2015						
Cost:						
At 1 January 2015	177,983	45,318	16,738	4,391	293,813	538,243
Additions	2,904	6,292	2,285	793	11,385	23,659
Transfers	304,761	–	–	–	(304,761)	–
Acquisition of a subsidiary *(note 31)*	–	2,221	128	167	–	2,516
Transfer to investment properties	(14,981)	–	–	–	–	(14,981)
Disposals	–	(2,194)	(139)	(826)	–	(3,159)
At 31 December 2015	470,667	51,637	19,012	4,525	437	546,278
Accumulated depreciation:						
At 1 January 2015	24,307	12,203	3,138	2,929	–	42,577
Provided during the year	21,933	4,792	3,270	475	–	30,470
Transfer to investment properties	(2,136)	–	–	–	–	(2,136)
Disposals	–	(1,037)	(92)	(785)	–	(1,914)
At 31 December 2015	44,104	15,958	6,316	2,619	–	68,997
Net book value:						
At 31 December 2015	426,563	35,679	12,696	1,906	437	477,281

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014						
Cost:						
At 1 January 2014	178,075	52,577	5,745	4,153	181,002	421,552
Additions	–	1,127	11,055	238	112,811	125,231
Disposals	(92)	(8,386)	(62)	–	–	(8,540)
At 31 December 2014	177,983	45,318	16,738	4,391	293,813	538,243
Accumulated depreciation:						
At 1 January 2014	15,804	10,221	1,594	2,240	–	29,859
Provided during the year	8,517	5,105	1,572	689	–	15,883
Disposals	(14)	(3,123)	(28)	–	–	(3,165)
At 31 December 2014	24,307	12,203	3,138	2,929	–	42,577
Net book value:						
At 31 December 2014	153,676	33,115	13,600	1,462	293,813	495,666

During the year ended 31 December 2015, certain of the Group's buildings were transferred to investment properties (the "Transfers"). Those buildings were revalued individually at the dates of the Transfers by Peak Vision Appraisals Limited ("Peak Vision"), independent professionally qualified valuers, at an aggregate fair value of RMB26,550,000 (note 14) based on their existing use. A total revaluation surplus of RMB9,543,000, after taking into account of the carrying value of the respective prepaid land lease payments at the dates of the Transfers of RMB4,162,000 (note 15), resulting from the above valuations has been credited to other comprehensive income, together with the related deferred tax liability of RMB2,386,000. Further details of the valuation were set out in note 14 to the financial statements.

As at 31 December 2015, included in "Buildings" were certain self-used properties with a net carrying amount of approximately RMB290,807,000 (2014: Nil) of which the Group has not yet obtained the building ownership certificates. Up to the date of approval of these financial statements, the Group is still in the process of applying for the building ownership certificates in respect of the aforementioned properties. Taking into account of the opinion from the Group's legal advisors, the directors do not expect any legal impediment to the obtaining of the relevant title certificates.

14. INVESTMENT PROPERTIES

	2015	2014
	RMB'000	*RMB'000*
Carrying amount at 1 January	**–**	–
The Transfers *(note 13)*	**26,550**	–
Fair value gains, net	**3,750**	–
Carrying amount at 31 December	**30,300**	–

The Group's investment properties consist of several industrial properties in Mainland China. The directors of the Company have determined that the investment properties are industrial properties held for rental, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on the dates of the Transfers and 31 December 2015 based on valuations performed by Peak Vision at RMB26,550,000 and RMB30,300,000, respectively. Since the inception of investment properties in the current year, the Group's management decides to appoint external valuer to be responsible for the external valuations of the Group's investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year after the Transfers when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 32(a) to the financial statements.

Further particulars of the Group's investment properties are included on page 132.

Notes to Financial Statements (continued)

31 December 2015

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement for:				
Industrial properties	**–**	**–**	**30,300**	**30,300**

	Fair value measurement as at the dates of the Transfers using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Industrial properties	–	–	26,550	26,550

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Industrial properties *RMB'000*
Carrying amount at 1 January 2015	–
The Transfers *(note 13)*	26,550
Net gain from a fair value adjustment recognised in the income statement	3,750
Carrying amount at 31 December 2015	30,300

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

At 31 December 2015

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties	Income capitalisation method	Average monthly market rent per square foot	RMB5 to RMB10	The higher the market rent, the higher the fair value
		Reversionary yield	6.5%	The higher the reversionary yield, the lower the fair value

14. INVESTMENT PROPERTIES (continued)

At dates of the Transfers

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties	Income capitalisation method	Average monthly market rent per square foot	RMB5 to RMB10	The higher the market rent, the higher the fair value
		Reversionary yield	6.5%	The higher the reversionary yield, the lower the fair value

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and an opposite change in the long term vacancy rate and discount rate.

15. PREPAID LAND LEASE PAYMENTS

	2015 ***RMB'000***	2014 *RMB'000*
Carrying amount at 1 January	**19,164**	19,598
Recognised during the year	**(355)**	(434)
The Transfers *(note 13)*	**(4,162)**	–
Carrying amount at 31 December	**14,647**	19,164
Current portion included in prepayments, deposits and other receivables	**(355)**	(434)
Non-current portion	**14,292**	18,730

16. GOODWILL

	RMB'000
At 1 January 2014, 31 December 2014 and 1 January 2015:	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost at 1 January 2014, 31 December 2014 and 1 January 2015, net of accumulated impairment	–
Acquisition of a subsidiary *(note 31)*	35,857
Impairment during the year	(17,500)
At 31 December 2015	18,357
At 31 December 2015:	
Cost	35,857
Accumulated impairment	(17,500)
Net carrying amount	18,357

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated as part of the children's personal care products cash-generating unit for impairment testing:

The recoverable amount of the part of the children's personal care products cash-generating unit relating to the acquisition (note 31) (the "CGU") has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15%. No growth rate was used for the cash flows of the CGU beyond the five-year period.

Assumptions were used in the value in use calculation of the CGU for 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year, with adjustment on the inflation of materials price.

16. GOODWILL (continued)

Impairment testing of goodwill (continued)

Discount rate – The discount rate used is before tax and reflect specific risks relating to the relevant unit.

The values assigned to the key assumptions on inflation of materials price and discount rate are consistent with external information sources.

Impairment of goodwill

In respect of the goodwill allocated to the CGU acquired in the current year (note 31), the directors considered that, due to the deteriorating operating performance of the CGU, the goodwill of RMB17,500,000 was impaired based on the recoverable amount of the CGU. The recoverable amount has been determined by value-in-use calculation of the present value of expected future cash flows.

Key assumptions adopted in value-in-use calculation were as follows:

	2015
Compound annual growth rate of revenue in five-year period	**2%**
Annual growth rate beyond the five-year period	**nil**
Discount rate	**15%**

Management determined the average annual revenue growth rate based on past performance, industry forecast and its expectation of market development. The discount rate used reflected specific risks relating to this CGU.

17. INTANGIBLE ASSETS

	Trademarks *RMB'000*	Copyrights *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	160	7,120	7,280
Accumulated amortisation:			
At 1 January 2014	64	4,153	4,217
Provided during the year	16	1,424	1,440
At 31 December 2014 and 1 January 2015	80	5,577	5,657
Provided during the year	16	1,424	1,440
At 31 December 2015	96	7,001	7,097
Net carrying amount:			
At 31 December 2015	64	119	183
At 31 December 2014	80	1,543	1,623

18. INVENTORIES

	2015 ***RMB'000***	2014 *RMB'000*
Raw materials	**6,544**	7,538
Work in progress	**778**	2,089
Finished goods	**19,689**	32,945
	27,011	42,572

19. TRADE RECEIVABLES

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

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

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

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

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

19. TRADE RECEIVABLES (continued)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired 1 to 30 days	Past due but not impaired Over 30 days
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2015	41,205	25,922	7,412	7,871
2014	145,454	113,038	29,364	3,052

The Group's trade receivables that were neither past due nor impaired mainly represent sales made to recognised and creditworthy customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Prepayments	**12,868**	3,581
Deposits for purchase of items of property, plant and equipment	**2,714**	596
Deposits for construction contracts	**366**	482
Deposits and other receivables	**834**	6,547
	16,782	11,206
Less: Non-current portion	**(3,179)**	(1,178)
Current portion	**13,603**	10,028

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	RMB'000	*RMB'000*
Unlisted investment funds, at cost	**2,008**	2,000

As at 31 December 2015, the unlisted investment funds with a carrying amount of RMB2,008,000 (2014: RMB2,000,000) were stated at cost less impairment because the unlisted investment funds do not have quoted market price in an active market and whose fair value cannot be measured reliably.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015	2014
	RMB'000	*RMB'000*
Cash and bank balances	**968,757**	951,567
Time deposits	**4,498**	17,000
	973,255	968,567
Less: Pledged time deposits for:		
– guarantees given to a bank in connection with facilities granted to customers *(note 34)*	**(2,000)**	(2,000)
– bills payables *(note 23)*	**(2,498)**	–
	(4,498)	(2,000)
Cash and cash equivalents	**968,757**	966,567

At 31 December 2015, the Group's cash and bank balances and time deposits denominated in RMB amounted to RMB942,876,000 (2014: RMB935,599,000) and RMB4,498,000 (2014: RMB17,000,000), respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between eight days and three months (2014: three months), and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

23. 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:

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

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

As at 31 December 2015, bills payables of RMB2,498,000 (2014: Nil) were secured by the pledge of time deposits of RMB2,498,000 (2014: Nil) (note 22).

24. OTHER PAYABLES AND ACCRUALS

	2015	2014
	RMB'000	*RMB'000*
Other payables and accruals	**25,073**	35,591
Other tax payables	**7,415**	14,898
	32,488	50,489

Other payables are non-interest-bearing and have an average term of one month.

Notes to Financial Statements (continued)

31 December 2015

25. INTEREST-BEARING BANK BORROWING

	2015			2014		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loan repayable within one year – unsecured	**4.37**	**2016**	**50,000**	N/A	N/A	–

26. DEFERRED TAX LIABILITIES

	Witholding taxes *RMB'000*	**Fair value changes on investment properties** *RMB'000*	**Total** *RMB'000*
At 1 January 2014	10,900	–	10,900
Deferred tax charged to the income statement during the year *(note 10)*	3,700	–	3,700
At 31 December 2014 and 1 January 2015	**14,600**	**–**	**14,600**
Deferred tax charged to the income statement during the year *(note 10)*	**–**	**937**	**937**
Deferred tax charged to other comprehensive income during the year	**–**	**2,386**	**2,386**
At 31 December 2015	**14,600**	**3,323**	**17,923**

26. DEFERRED TAX LIABILITIES (continued)

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. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB843,011,000 at 31 December 2015 (2014: RMB857,794,000).

At 31 December 2015, there were no significant unrecognised deferred tax liabilities (2014: Nil) for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiary expected to be distributed, after considering the abovementioned factors, in the foreseeable future.

The Group has tax losses arising in Hong Kong of RMB30,806,000 (2014: RMB14,109,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, of which the respective tax losses were subject to agreement by the Inland Revenue Department in Hong Kong. The Group also has tax losses arising in Mainland China of RMB21,877,000 (2014: RMB42,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and/or the future income stream to recoup such losses is unpredictable.

Notes to Financial Statements (continued)

31 December 2015

27. ISSUED CAPITAL

	2015	2014
	RMB'000	*RMB'000*
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

The following changes in the Company's share capital took place during the last year:

	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 31 December 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.

28. 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 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 Financial Statements (continued)

31 December 2015

28. SHARE OPTION SCHEME (continued)

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

	31 December 2015		31 December 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 year	**–**	**–**	1.83	25,240
Forfeited during the year	**1.99**	**(664)**	2.31	(1,087)
Exercise of share options	**–**	**–**	1.92	(77)
At 31 December	**2.05**	**40,746**	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:

2015 Number of options *'000*	**Exercise price** *HK$ per share*	**Exercise period**
9,102	**1.92**	**14-10-2012 to 13-10-2021**
7,354	**2.94**	**21-06-2013 to 20-06-2022**
24,290	**1.83**	**26-09-2015 to 25-09-2024**
40,746		

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		

28. SHARE OPTION SCHEME (continued)

The fair values of equity-settled share options granted during the year ended 31 December 2014 were estimated as at the date of grant, using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share options granted on 26 September 2014
Dividend yield *(%)*	2.73
Expected volatility *(%)*	49.0
Risk-free interest rate *(%)*	2.0
Expected life of options *(year)*	8–10
Price of the Company's shares at date of grant *(HK$ per share)*	1.83

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

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

At the end of the reporting period, the Company had 40,746,000 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 40,746,000 additional ordinary shares of the Company and additional share capital of approximately HK$407,000 (equivalent to approximately RMB340,000) and share premium of approximately HK$83,140,000 (equivalent to approximately RMB69,679,000), before issue expenses.

Subsequent to the end of the reporting period, a total of 41,136,500 share options were granted by the Company after the acceptance of the grantees.

At the date of approval of these financial statements, the Company had 81,428,500 share options outstanding under the Scheme, which represented approximately 8.1% of the Company's shares in issue as at that date.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Statutory reserve fund

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entities' registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 December 2015, deposits of RMB329,000 (2014: RMB9,127,000) were utilised for settlement of purchase consideration of items of property, plant and equipment.

(b) During the year ended 31 December 2014, proceeds from disposal of items of property, plant and equipment of RMB5,375,000 were settled through other receivables.

31. BUSINESS COMBINATION

On 30 April 2015, the Group acquired an 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 the manufacture of toothpaste products. The acquisition was for expanding the Group's oral care product line under children's personal care products. The purchase consideration for the acquisition 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.

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:

	RMB'000
Assets	
Property, plant and equipment *(note 13)*	2,516
Inventories	993
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
	27,129
Liabilities	
Trade and bills payables	(7,592)
Other payables and accruals	(652)
Tax payable	(240)
	(8,484)
Total identifiable net assets acquired	18,645
Non-controlling interests	(3,729)
	14,916
Goodwill on acquisition *(note 16)*	35,857
Satisfied by cash	50,773

31. BUSINESS COMBINATION (continued)

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

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

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

	RMB'000
Cash consideration	(50,773)
Cash and cash equivalents acquired	6,487
Net outflow of cash and cash equivalents included in cash flows from investing activities	(44,286)

Since the acquisition, the Acquired Company contributed RMB9,858,000 to the Group's revenue and loss of RMB15,034,000 (after taking into account of impairment of goodwill of RMB17,500,000) to the consolidated loss for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for year ended 31 December 2015 would have been RMB918,996,000 and RMB48,434,000, respectively.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

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

	2015	2014
	RMB'000	*RMB'000*
Within one year	**1,713**	–
In the second to fifth years, inclusive	**1,322**	–
	3,035	–

(b) As lessee

The Group leases certain of its warehouses and office premises under operating lease arrangements. Leases for properties are negotiated for terms of three months to three years (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:

	2015	2014
	RMB'000	*RMB'000*
Within one year	**1,047**	1,056
In the second to fifth years, inclusive	**452**	1,314
	1,499	2,370

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the end of the reporting period:

	2015 *RMB'000*	2014 *RMB'000*
Contracted, but not provided for:		
Construction of buildings	**538**	5,162
Purchase of items of property, plant and equipment	**1,970**	2,443
	2,508	7,605

34. CONTINGENT LIABILITIES

During the years ended 31 December 2015 and 2014, 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 31 December 2015, the Group had pledged deposits of RMB2,000,000 (2014: RMB2,000,000) with the bank for this banking facility arrangement, and executed guarantees of a total of approximately RMB36,110,000 (2014: RMB33,750,000) to the bank in connection with the amounts advanced to these customers by the bank, of which RMB6,701,000 (2014: RMB17,663,000) had been utilised as at 31 December 2015.

35. RELATED PARTY TRANSACTIONS

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

	Notes	2015 RMB'000	2014 RMB'000
Related companies:			
Sales of products	(a)	**5,633**	6,572
Rental expenses	(b)	**–**	249
Purchase of products	(c)	**6**	164

Notes:

(a) Sales to a related company, Shuangfei Daily Chemicals (USA) Inc. ("Shuangfei USA"), which is controlled by Mr. Li Zhenhui ("Mr. Li") and Mr. Xie Jinling ("Mr. Xie"), of RMB5,633,000 (2014: RMB6,572,000) were made on mutually agreed terms.

(b) Frog Prince (China) and Fujian Shuangfei Daily Chemicals Co., Ltd. ("Fujian Shuangfei"), which is controlled by Mr. Li and Mr. Xie, 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 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 ended 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.

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

35. RELATED PARTY TRANSACTIONS (continued)

(ii) An analysis of the balances with a related party is as follows:

Particulars of an amount due from a related company, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

Year ended 31 December 2015

Name	**31 December 2015** *RMB'000*	**Maximum amount outstanding during the year** *RMB'000*	**1 January 2015** *RMB'000*
Related company			
Shuangfei USA	**5,903**	**6,828**	**6,828**

Year ended 31 December 2014

Name	31 December 2014 *RMB'000*	Maximum amount outstanding during the year *RMB'000*	1 January 2014 *RMB'000*
Related company			
Shuangfei USA	6,828	7,587	1,653

The outstanding balances with related parties are interest-free, unsecured and have no fixed terms of repayment.

(iii) Compensation of key management personnel of the Group

Further details of directors' and the chief executive's remuneration are included in note 8 to these financial statements.

The related party transactions in respect of items (i)(a), (i)(b) and (i)(c) above also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed in the Report of Directors.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2015	2014
	RMB'000	*RMB'000*
Available-for-sale investments	**2,008**	2,000
Loans and receivables		
Trade receivables	**41,205**	145,454
Financial assets included in prepayments, deposits and other receivables	**582**	6,546
Amount due from a related company	**5,903**	6,828
Pledged deposits	**4,498**	2,000
Cash and cash equivalents	**968,757**	966,567
	1,020,945	1,127,395

Financial liabilities

Financial liabilities at amortised cost

	2015	2014
	RMB'000	*RMB'000*
Trade and bills payables	**84,882**	125,083
Financial liabilities included in other payables and accruals	**15,390**	23,682
Interest-bearing bank borrowing	**50,000**	–
Amount due to a related company	**–**	190
	150,272	148,955

37. 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, interest-bearing bank borrowing and balances with related companies 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise pledged deposits, cash and cash equivalents and available-for-sale investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, balances with related companies, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowing, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces prudent strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowing with floating interest rates. The Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risks. The interest-bearing bank borrowing, cash and short term deposits are stated at amortised cost. Floating rate interest income and expenses are credited/charged to the income statement as earned/incurred. The directors have reviewed the Group's interest-bearing financial instruments and determined that the Group has no significant interest rate risk.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sale and purchase transactions and cash and bank balances denominated in United States dollars ("US$") and Hong Kong dollars ("HK$").

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax.

	Increase/ (decrease) in US$/HK$ rate %	**Decrease/ (increase) in loss before tax** **2015** ***RMB'000***	Increase/ (decrease) in profit before tax 2014 *RMB'000*
If RMB weakens against US$	5	**1,761**	1,263
If RMB strengthens against US$	(5)	**(1,761)**	(1,263)
If RMB weakens against HK$	5	**46**	118
If RMB strengthens against HK$	(5)	**(46)**	(118)

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in deposits and other receivables and an amount due from a related company arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents and available banking facilities. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand and less than 1 year	
	2015	2014
	RMB'000	*RMB'000*
Trade and bills payables	**84,882**	125,083
Financial liabilities included in other payables and accruals	**15,390**	23,682
Interest-bearing bank borrowing	**50,000**	–
Amount due to a related company	**–**	190
Guarantees given to a bank in connection with facilities granted to customers	**36,110**	33,750
	186,382	182,705

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015	2014
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**87,738**	82,348
Total non-current assets	**87,738**	82,348
CURRENT ASSETS		
Prepayments and other receivables	**248**	235
Amounts due from subsidiaries	**302,606**	327,749
Amount due from a related company	**–**	338
Cash and cash equivalents	**3,261**	4,575
Total current assets	**306,115**	332,897
CURRENT LIABILITIES		
Accruals	**5,700**	5,286
Due to subsidiaries	**10,591**	–
Total current liabilities	**16,291**	5,286
NET CURRENT ASSETS	**289,824**	327,611
TOTAL ASSETS LESS CURRENT LIABILITIES	**377,562**	409,959
Net assets	**377,562**	409,959
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**8,386**	8,386
Reserves *(note)*	**369,176**	401,573
Total equity	**377,562**	409,959

Notes to Financial Statements (continued)

31 December 2015

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium *RMB'000*	Capital reserve *RMB'000*	Capital redemption reserve *RMB'000*	Share option reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2014	528,634	(4,613)	16	10,816	(83,032)	451,821
Loss for the year and total comprehensive expense for the year	–	–	–	–	(13,617)	(13,617)
Equity-settled share option arrangements	–	–	–	3,360	–	3,360
2013 final dividend declared and paid	(40,107)	–	–	–	–	(40,107)
Exercise of share options	162	–	–	(46)	–	116
At 31 December 2014 and 1 January 2015	**488,689**	**(4,613)**	**16**	**14,130**	**(96,649)**	**401,573**
Loss for the year and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(697)**	**(697)**
Equity-settled share option arrangements	**–**	**–**	**–**	**8,187**	**–**	**8,187**
2014 final dividend declared and paid	**(39,887)**	**–**	**–**	**–**	**–**	**(39,887)**
At 31 December 2015	**448,802**	**(4,613)**	**16**	**22,317**	**(97,346)**	**369,176**

The debit balance of capital reserve represented the excess of the nominal value of the Company's shares issued in exchange therefor over the then net asset value of the subsidiaries acquired.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay off its debts as and when they fall due in the ordinary course of business.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2016.

Summary Financial Information

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below.

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**913,716**	1,482,469	1,712,206	1,572,054	1,269,167
PROFIT/(LOSS) BEFORE TAX	**(49,260)**	215,187	309,624	298,634	218,466
Income tax expense	**(556)**	(14,794)	(110,046)	(57,524)	(34,521)
PROFIT/(LOSS) FOR THE YEAR	**(49,816)**	200,393	199,578	241,110	183,945
Attributable to:					
Equity holders of the Company	**(50,309)**	200,393	199,578	241,110	183,945
Non-controlling interests	**493**	–	–	–	–
	(49,816)	200,393	199,578	241,110	183,945

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,606,732**	1,692,646	1,468,019	1,264,412	1,090,465
Total liabilities	**(191,896)**	(207,202)	(145,859)	(104,782)	(142,113)
Non-controlling interests	**(4,222)**	–	–	–	–
	1,410,614	1,485,444	1,322,160	1,159,630	948,352

Note:

(i) The consolidated results of the Group for the five years ended 31 December 2011, 2012, 2013, 2014 and 2015 and the consolidated assets and liabilities of the Group as at 31 December 2011, 2012, 2013, 2014 and 2015 were extracted from the published audited financial statements. Such summary for the year ended 31 December 2011 was prepared as if the current structure of the Group had been in existence throughout that financial year.

The summary above does not form part of the audited financial statements.

Particulars of Investment Properties

Location	Existing use	Type of lease
Industrial Complex No. 163, North Huancheng Road Lantian Economic Development Zone Zhangzhou City, Fujian Province The PRC	Industrial	Medium term