



2018 
INTERIM REPORT

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



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Mr. Huang Xinwen

Mr. Ma Chi Ming

Non-executive Director

Mr. Li Zhouxin

Independent Non-executive Directors

Ms. Chan Sze Man

Mr. Ma Kwun Yung Stephen

Ms. Bu Yanan

BOARD COMMITTEES

Audit Committee

Ms. Chan Sze Man (*Chairman*)

Mr. Ma Kwun Yung Stephen

Ms. Bu Yanan

Nomination Committee

Ms. Chan Sze Man (*Chairman*)

Mr. Ma Kwun Yung Stephen

Ms. Bu Yanan

Remuneration Committee

Mr. Ma Kwun Yung Stephen (*Chairman*)

Mr. Ma Chi Ming

Ms. Chan Sze Man

COMPANY SECRETARY

Mr. Leung Louis Ho Ming

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

Agricultural Bank of China Limited – Zhangzhou Branch

Bank of Communications (Hong Kong) Limited

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

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No. 8, North Wuqiao Road

Lantian Economic Development Zone

Zhangzhou City, Fujian Province

The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2005-2006, Kinwick Centre,

32 Hollywood Road, Central,

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

Royal Bank House – 3rd Floor

24 Shedden Road, P.O. Box 1586

Grand Cayman, KY-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

Suites 3301-04, 33/F.,

Two Chinachem Exchange Square,

338 King's Road,

North Point, Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW

Personal Care Products

During the period under review, the revenue from personal care products of China Child Care Corporation Limited (the “Company”) and its subsidiaries (the “Group”) was approximately RMB153.9 million, representing a decrease of about 37.7% over the same period of last year (30 June 2017: RMB247.2 million). The personal care products business recorded a loss of approximately RMB30.8 million during the period under review as compared with loss of approximately RMB129.2 million for the period ended 30 June 2017.

The deconsolidation (the “Deconsolidation”) of Fujian Herun Supply Chain Management Co., Ltd. (福建和潤供應鏈管理有限公司) (“Fujian Herun”) from the Company’s consolidated financial statements and the equity method of accounting for the Group’s remaining 30% equity interest in Fujian Herun in the first half of 2017 result in decrease in revenue of personal care products segment.

The continue loss was primarily due to the decrease in the revenue of personal care products segment due to slowdown of economy in the People’s Republic of China (the “PRC”) and the change in consumers’ consumption habits to electronic commerce.

Money Lending Business

During the reporting period, this business segment generated interest income of approximately RMB16.6 million, representing an increase of about 2.2% over the same period of last year (30 June 2017: RMB16.3 million) and recorded a segment profit of approximately RMB4.4 million during the reporting period, representing decrease of about 41.6% over the same period of last year (30 June 2017: RMB7.5 million).

As at 30 June 2018, the Group has outstanding (i) unsecured loan of approximately RMB25.7 million with average effective interest rate of approximately 42.96% per annum with terms ranging from 2 months to 60 months; and (ii) mortgage loan of approximately RMB149.0 million with average effective interest rate of approximately 15.45% per annum with terms ranging from 3 months to 240 months. The mortgage loans granted by the Group were typically secured by mortgages, charge on shares or charge on assets. In the event of default or failure to repay any outstanding amounts by the debtors, the Group has the right to proceed with sale of collaterals.

The Group observed that there is an increasing number of property owners, who have proven income and repayment capability, having difficulties in getting financing from the banking system due to the tight restriction and stress test by Hong Kong Monetary Authority, and the Group is of the view that an expansion of its money lending business through participation of the provision of personal loans and mortgage loans could allow the Group to take the opportunity to enjoy the potential benefits brought by such financing contraction.

Operation of Online Platform

During the period under review, the operation of online platform focusing on the children, babies and parents (the “CBP”) contributed a total revenue of approximately RMB8.8 million to the Group, representing a decrease of about 1.0% over the same period of last year (30 June 2017: RMB8.9 million), and recorded a profit of approximately RMB6.4 million, representing a decrease of about 2.8% over the same period of last year (30 June 2017: RMB6.6 million).

Management Discussion and Analysis (continued)

Trading of Commodities

During the reporting period, the trading of commodities contributed a total revenue of approximately RMB84.9 million to the Group, representing a decrease of about 8.0% over the same period of last year (30 June 2017: RMB92.3 million). The decrease was mainly due to no palm oil trading revenue was recorded in 2018 (30 June 2017: RMB84.4 million). Starting from the fourth quarter of 2017, the Group commenced the sale of electronic products and other electronic components which contributed approximately RMB75.9 million to the Group (2017: Nil). The trading of beverages and trading of other commodities contributed approximately RMB2.6 million and RMB6.4 million to the Group respectively (2017: RMB7.9 million and Nil respectively). Starting from June 2018, the Group commenced the auto parts trading business, the trading of auto parts contributed approximately RMB2,000 to the Group for the reporting period (2017: Nil).

The business of trading of commodities recorded a loss of approximately RMB0.3 million (30 June 2017: profit of approximately RMB3.9 million).

Securities Investment

The Group's securities investment business includes investment in listed securities and private unlisted fund for long-term purposes.

As at 30 June 2018, the Group had a portfolio of securities investment of approximately RMB91.6 million and all of which were equity securities listed in Hong Kong and unlisted investment fund of approximately RMB70.8 million. For the reporting period, the Group recorded a net unrealised loss of approximately RMB23.3 million which was included in the statement of other comprehensive income (30 June 2017: RMB10,000).

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

Company name (Stock code)	% of shareholding of the respective shares as at 30 June 2018	Change in fair value for the period ended 30 June 2018 RMB'000	Fair value as at 30 June 2018 RMB'000	% to the total assets of the Group as at 30 June 2018
Listed securities				
International Entertainment Corporation (1009)	0.97	(4,999)	16,267	0.97
LEAP Holdings Group Limited (1499)	1.48	25,040	55,860	3.32
China Baoli Technologies Holdings Limited (164)	0.26	(2,569)	6,444	0.38
Singasia Holdings Limited (8293)	0.04	5,595	13,032	0.77
Unlisted fund				
Head and Shoulders Global Investment Fund SFC	N/A	(46,324)	70,811	4.21

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

The securities investment business recorded a loss of approximately RMB64,000 (30 June 2017: RMB10,000).

Management Discussion and Analysis (continued)

Properties Holding

In the second quarter of 2017, the Group acquired the entire issued share capital of Apex Magic International Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, from an independent third party (the "Acquisition of Apex Magic"). Apex Magic International Limited and its subsidiaries (the "Acquired Group") are principally engaged in properties holding. The assets of the Acquired Group mainly consist of the lands and the properties located in Yuen Long, Hong Kong. The property prices in Yuen Long in both the first-hand and second-hand markets dramatically increased in recent years and are expected to increase continuously in the near future. The Group is optimistic about the development of property market in Hong Kong due to shortage in supply of land and therefore, has been identifying the potential property investment and development opportunities in Hong Kong. It is the intention of the Company that the properties erected on all the lands owned by the Acquired Group shall be demolished and such lands be redeveloped. Relevant applications have been made to the Government and to the best knowledge, information and belief of the directors of the Company, there is no legal impediment in obtaining the relevant approval from the government.

On 21 September 2017, the Group acquired the entire issued share capital of Earn Rich Properties Limited ("Earn Rich"), a company incorporated in Hong Kong with limited liability on 28 March 2017 (the "Acquisition of Earn Rich"). Since its incorporation, Earn Rich has not carried on any business except for entering into a provisional agreement (the "Provisional Agreement") with Nice Source Properties Limited's owners (the "Nice Source Owners"), pursuant to which Earn Rich agreed to acquire from the Nice Source Owners the entire share capital of Nice Source Properties Limited ("Nice Source") for a consideration of HK\$90,800,000, and it is intended that Earn Rich will be principally engaged in investment holding.

Nice Source was holding the properties located at Workshop C6 on G/F of Block C and Workshop C7 on 1/F of Block C, Hong Kong Industrial Centre, Nos. 489–491 Castle Peak Road, Kowloon with an aggregate gross floor area of approximately 6,086 sq. ft..

The Provisional Agreement was completed on 11 December 2017.

The directors of the Company (the "Directors") believe that the Acquisition of Apex Magic and the Acquisition of Earn Rich can further expand the Group's business, broaden its revenue streams and bring a greater return to the shareholders of the Company (the "Shareholders").

The Properties Holding business recorded a segment profit of approximately RMB0.4 million during the reporting period (30 June 2017: loss of approximately RMB7.4 million).

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Turnover

During the reporting period, the turnover of the Group was approximately RMB266.1 million, representing a decrease of about 27.1% over the same period of last year (for the period ended 30 June 2017: RMB364.8 million).

The revenue from personal care products of the Group was approximately RMB153.9 million, representing a decrease of about 37.7% over the same period of last year (for the period ended 30 June 2017: RMB247.2 million).

The money lending business contributed a total revenue of approximately RMB16.6 million, representing an increase of about 2.2% over the same period of last year (for the period ended 30 June 2017: RMB16.3 million).

The Group's business segment of the operation of online platform contributed a total revenue of approximately RMB8.8 million, representing a decrease of about 1.0% over the same period of last year (for the period ended 30 June 2017: RMB8.9 million).

The Group's business segment of trading of commodities contributed a total revenue of approximately RMB84.9 million, representing a decrease of about 8.0% over the same period of last year (for the period ended 30 June 2017: RMB92.3 million).

The Group's business segment of properties holding contributed a total revenue of approximately RMB1.9 million to the Group (for the period ended 30 June 2017: RMB168,000).

Gross Profit and Gross Profit Margin

Gross profit of the Group for the reporting period was approximately RMB60.4 million, representing a decrease of about 55.2% as compared with RMB134.9 million for the period ended 30 June 2017.

During the reporting period, the gross profit margin decreased by around 14.3 percentage points over the same period of last year to about 22.7 percentage points (for the period ended 30 June 2017: 37.0%). The decrease in overall gross profit margin was primarily due to the lower gross profit margin for the business of personal care products and trading of commodities.

The total gross profit for personal care products was about RMB32.8 million for the reporting period, representing a decrease of about 69.3% as compared with about RMB106.9 million for the period ended 30 June 2017. Gross profit margin decreased to about 21.4%, representing a decrease of about 21.8 percentage points compared with the same period of last year. The decrease was mainly due to the increased discount provided to distributors and after the Deconsolidation of Fujian Herun, the Group's personal care products changes from manufacturing to OEM business which results in decrease of the gross profit of personal care products segment.

The gross profit for money lending business for the reporting period was about RMB16.6 million (for the period ended 30 June 2017: RMB16.3 million).

Management Discussion and Analysis (continued)

The gross profit for operation of online platform for the reporting period was about RMB8.1 million (for the period ended 30 June 2017: RMB7.7 million).

The gross profit for trading of commodities for the reporting period was about RMB1.0 million (for the period ended 30 June 2017: RMB3.9 million) and the gross profit margin was about 1.2% (for the period ended 30 June 2017: 4.3%).

The gross profit for properties holding for the reporting period was about RMB1.9 million (for the period ended 30 June 2017: RMB168,000).

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. Selling and distribution expenses amounted to approximately RMB26.8 million for the reporting period, representing a decrease of about 85.5% as compared with about RMB185.0 million for the period ended 30 June 2017.

The selling and distribution expenses accounted for about 10.1% of the revenue during the reporting period (for the period ended 30 June 2017: 50.7%), among which, advertising and promotion expenses, as a percentage of revenue, decreased from 39.4% for the period ended 30 June 2017 to about 4.6% for the period ended 30 June 2018, representing a decrease of about 34.8 percentage points. The transportation expenses and other expenses, as a percentage of revenue, decreased about 6.1 percentage points to about 5.2% for the reporting period as compared with the same period of 2017 (for the period ended 30 June 2017: 11.3%).

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, share option expenses and other expenses. Administrative expenses of the Group amounted to approximately RMB60.8 million for the reporting period (for the period ended 30 June 2017: RMB73.7 million), representing a decrease of about 17.4% over the same period of last year.

The administrative expenses decreased mainly due to the deconsolidation of Fujian Herun and decrease in the share option expenses for the period. Administrative expenses accounted for about 22.9% of the Group's revenue for the reporting period (for the period ended 30 June 2017: 20.2%).

Finance Costs

The Group had finance costs of approximately RMB4.9 million for the period ended 30 June 2018 (for the period ended 30 June 2017: RMB1.6 million).

Management Discussion and Analysis (continued)

Acquisition of Subsidiaries

In the second quarter of 2017, the Group acquired the entire issued share capital of Apex Magic International Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, from an independent third party. The Acquired Group is principally engaged in properties holding. The assets of the Acquired Group mainly consist of the lands and the properties located in Yuen Long, Hong Kong. The consideration of the said acquisition was RMB71,192,000, of which RMB22,115,000 was paid in cash and RMB49,077,000 was paid by consideration shares of the Company.

In the fourth quarter of 2017, the Group acquired the entire issued share capital of Earn Rich, a company incorporated in Hong Kong with limited liability on 28 March 2017 from an independent third party. Since its incorporation, Earn Rich has not carried on any business except for entering into the Provisional Agreement with Nice Source Owners, pursuant to which Earn Rich agreed to acquire from the Nice Source Owners the entire share capital of Nice Source for a consideration of HK\$90,800,000, and it is intended that Earn Rich will be principally engaged in investment holding.

Nice Source was holding the properties located at Workshop C6 on G/F of Block C and Workshop C7 on 1/F of Block C, Hong Kong Industrial Centre, Nos. 489–491 Castle Peak Road, Kowloon with an aggregate gross floor area of approximately 6,086 sq. ft..

The Provisional Agreement was completed on 11 December 2017. The consideration of the said acquisition was RMB83,599,000, of which RMB72,512,000 was paid in cash and RMB11,087,000 was paid by promissory notes of the Company.

In the fourth quarter of 2016, the Group acquired 51% of equity interests in Marvel Paramount Holdings Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, from an independent third party. Marvel Paramount Holdings Limited and its subsidiary are primarily engaged in the operation of an online platform focusing on the CBP markets, including the provision of marketing, marketing consulting and promotional service, e-commerce business and retail of CBP's products. The subsidiary operates an online CBP information platform at MYBB and mobile app namely MyBB APP which offer forum, blog and updated information in relation to CBP to parents, pregnant women and women preparing for pregnancy. MYBB also operates one retail store in Hong Kong and online stores for sales of CBP products for members in Hong Kong, PRC and Australia. MYBB also engages in organising CBP-related marketing and promotional activities, playgroups and talks in Hong Kong. The consideration of the said acquisition was RMB104,010,000, which was payable in cash and subject to downward adjustment. The total identifiable net assets acquired less non-controlling interests amounted to RMB753,000. Accordingly, goodwill of RMB103,257,000 was resulted at the date of acquisition. Pursuant to the relevant acquisition agreement, the vendor guarantees to the Company that the net profit after tax of the Marvel Paramount Holdings Limited and its subsidiary (based on its audited financial statements) for each of the two financial years ending 31 March 2017 and 31 March 2018 (the "Accumulated Guaranteed Profit") shall be not less than HK\$8,000,000 and HK\$16,000,000 respectively. Accumulated impairment loss of goodwill of RMB49,300,000 was provided as at 30 June 2018.

Management Discussion and Analysis (continued)

Disposal of Subsidiaries

On 30 June 2018, Frog Prince (China) Daily Chemicals Co., Limited (青蛙王子(中國)日化有限公司) (“Frog Prince (China)”), a wholly-foreign-owned enterprise established in the PRC with limited liability as vendor, and 絲耐潔(福建)口腔健康科技有限公司 (Snagatr (Fujian) Oral Health Technology Co., Limited) (“Snagatr”), as purchaser, entered into a share transfer agreement. Pursuant to the agreement, Snagatr had agreed to acquire 80% equity interest in 福建愛潔麗日化有限公司 (Fujian Azalli Daily Chemicals Limited) (“Fujian Azalli”) at the consideration of RMB12.0 million. Following the completion of the abovementioned share transfer, the Fujian Azalli ceased to be a subsidiary of the Group and a loss on disposal of RMB9.0 million was recognised by the Group.

On 21 December 2016, Frog Prince (China) and an indirect wholly owned subsidiary of the Company, Fujian Herun, and Shenzhen Qianhai Wosheng Asset Management Centre (Limited Partnership) (深圳前海沃升資產管理中心(有限合夥)) (“Wosheng”, a limited partnership formed in the PRC) entered into a capital increase agreement, pursuant to which Wosheng agreed to make a capital contribution of RMB33,000,000 to Fujian Herun. An amount of RMB18,439,000 (being the proportionate share of the carrying amount of the net assets of Fujian Herun) has been transferred to non-controlling interests. The difference of RMB14,561,000 between the increase in the non-controlling interests and the consideration has been credited to retained earnings. Following the completion of the capital increase, the Group’s interest in Fujian Herun was diluted from 100% to 75%, resulting in a deemed disposal of 25% equity interest in Fujian Herun by the Group. Upon completion of the capital increase, Fujian Herun remained as a subsidiary of the Company.

In the first half of 2017, Frog Prince (China), as vendor, and Wosheng, as purchaser, entered into a share transfer agreement. Pursuant to the agreement, Wosheng had conditionally agreed to acquire 45% equity interest in Fujian Herun at the consideration of RMB100.0 million. Following the completion of the abovementioned share transfer, the Group’s interest in Fujian Herun was reduced from 75% to 30% and a gain on disposal of RMB95.9 million was recognised by the Group in respect of the current year. Fujian Herun ceased to be a subsidiary of the Group and became an associate of the Group.

Net Loss and Net Loss Margin

For the period ended 30 June 2018, loss attributable to equity holders of the Company amounted to approximately RMB51.0 million as compared with loss attributable to equity holders of the Company of approximately RMB32.5 million for the period ended 30 June 2017. The net loss margin was about 19.2% as compared with about 8.9% of net loss margin for the period ended 30 June 2017, with basic loss per share of approximately RMB4.4 cents (basic loss per share for the period ended 30 June 2017: RMB3.1 cents).

The increase in loss arose mainly from the respective one-off gain on disposal of a subsidiary Fujian Herun which was recorded by the Group in 2017.

Capital Expenditure

For the period ended 30 June 2018, the Group’s material capital expenditure amounted to approximately RMB6.3 million (31 December 2017: RMB257.3 million), mainly used for renovation of our plants, consolidation work of our plants and acquisition of new equipments.

Management Discussion and Analysis (continued)

Financial Resources and Liquidity

As at 30 June 2018, cash and cash equivalents of the Group amounted to approximately RMB153.0 million (31 December 2017: RMB222.7 million). The current ratio was 1.9 (31 December 2017: 1.8). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: firstly, developing money lending business; and secondly, pursuing of the potential opportunity for acquisition and other investment in a timely manner.

In order to raise additional fund for enhancing the development of the money lending business, 231,687,000 placing shares (“Placing Shares”) were successfully placed to not less than six independent third parties at the placing price of HK\$0.130 per placing share on 27 June 2018.

The net proceeds of the placing, after deduction of the placing commission and related expenses, amounted to approximately HK\$29.6 million.

Loan and Interest Receivables

As at 30 June 2018, the Group’s loan and interest receivables were approximately RMB189.2 million (31 December 2017: RMB205.4 million). During the period, the Group had provided loans of approximately RMB48.3 million (31 December 2017: RMB348.0 million), with an average annual interest rate of approximately 27.6% (31 December 2017: 15.8%).

Trade and Bills Receivables

As at 30 June 2018, the Group’s trade and bills receivables were approximately RMB104.2 million (31 December 2017: RMB113.2 million). The Group usually grants a credit period of 30 to 180 days to our customers. For the period ended 30 June 2018, the Group did not make any further allowance of doubtful debt (2017: Nil).

Trade and Bills Payables

As at 30 June 2018, trade and bills payables were approximately RMB63.6 million (31 December 2017: RMB71.5 million). The Group settled its payables within 30 to 180 days in general and kept good payment records.

Inventories

During the reporting period, inventories of the Group were approximately RMB39.7 million (31 December 2017: RMB32.0 million). As at 30 June 2018, the inventory balance increased by about 24.1% over 2017.

Management Discussion and Analysis (continued)

Gearing Ratio

As at 30 June 2018, the current assets and total assets of the Group were approximately RMB725.3 million and RMB1,682.1 million respectively, the current liabilities and total liabilities of the Group were approximately RMB388.9 million and RMB411.2 million respectively. The gearing ratio (total liabilities/total assets) of the Group was approximately 24.4% (31 December 2017: 24.0%).

Bank and Other Borrowings

As at 30 June 2018, the Group had bank borrowings of RMB118.5 million (31 December 2017: RMB115.0 million). Facilities were made by the Group with banks for PRC borrowings with a pledged bank deposit in the PRC.

As at 30 June 2018, the Group had other secured borrowings of RMB44.5 million (31 December 2017: Nil). Facilities were made by the Group with Hong Kong licensed money lenders for pledged investment properties located in Hong Kong.

As at 30 June 2018, the Group had no other unsecured borrowings (31 December 2017: RMB50.0 million).

Pledge of Assets

As at 30 June 2018, the Group had pledged deposits of RMB127.2 million (31 December 2017: RMB127.1 million) for short-term bank borrowings and bills payable.

As at 30 June 2018, investment properties of RMB96.1 million (31 December 2017: Nil) was pledged for other borrowings.

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

The Group has no significant exposure to foreign currency risk because most of the Group's transactions are denominated in Renminbi. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

Management Discussion and Analysis (continued)

OUTLOOK

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

Given the slowdown of China's economic growth, and the changes in consumption habits of Chinese consumers, the Group is prudent to the utilization rate of production capacity of its plants manufacturing personal care products. In response to the above adverse business environment, the Group will improve the responsiveness of the supply chain and enhance its product development capability to avoid further decline in sales revenue.

Looking ahead, the Group will gradually expand the scale of its electronic product and other electronic component and the auto parts trading business by introducing sale teams with extensive experiences in the industry, so as to build up its competitiveness. Meanwhile, the Group will also continue to expand its money lending business. The Group will also expand the mortgage business to corporate clients. The Group will invest more financial resources to expand these businesses in the coming future, including possible promotion and marketing through media platform. The Group may consider putting certain marketing efforts to promote our brand through various public media. In view of the uncertain economic outlook, the Group will operate and expand the business in a cautious and risk-balanced manner to maintain a balanced portfolio.

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

EMPLOYEES AND REMUNERATION

As at 30 June 2018, the Group employed 1,033 employees (as at 31 December 2017: 999 employees).

In addition to basic salaries, year-end bonuses may be rewarded by the Group to those staff members with outstanding performance. Constituent companies of the Group established in Mainland China are also subject to social insurance contribution plans required by the PRC government. In accordance with the relevant national and local 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 Company in June 2011 and the limit of the share option scheme was refreshed in June 2017 to reward staff members who make contributions to the success of the Group. The directors of the Company believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2018.

Unaudited Condensed Consolidated Interim Financial Statements

The board of directors (the "Board") of China Child Care Corporation Limited (the "Company") hereby presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2018 together with the unaudited comparative figures for the corresponding period in 2017 and audited comparative figures at 31 December 2017, and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
REVENUE	4	266,055	364,834
Cost of sales		(205,623)	(229,899)
Gross profit		60,432	134,935
Other income and gains	5	4,040	113,211
Selling and distribution expenses		(26,842)	(184,974)
Administrative expenses		(60,839)	(73,684)
Other expenses	6	(12,973)	(15,822)
Finance costs	7	(4,896)	(1,630)
Share of loss of associates		(4,622)	–
Share of loss of joint ventures		(461)	–
Loss before tax	8	(46,161)	(27,964)
Income tax expense	9	(1,750)	(2,517)
Loss for the period		(47,911)	(30,481)
(Loss)/profit for the period attributable to:			
Equity holders of the Company		(50,998)	(32,492)
Non-controlling interests		3,087	2,011
Loss for the period		(47,911)	(30,481)

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

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Other comprehensive (expense)/income:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Mainland China		12,583	(7,730)
		12,583	(7,730)
Items that may not be reclassified to profit or loss in subsequent periods:			
Loss on change in fair value of financial assets at fair value through other comprehensive income, net of tax		(30,835)	–
Deferred tax liabilities taken to retained profits on disposal of properties		–	2,386
		(30,835)	2,386
Other comprehensive expense for the period		(18,252)	(5,344)
Total comprehensive expense for the period		(66,163)	(35,825)
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		(66,286)	(36,404)
Non-controlling interests		123	579
		(66,163)	(35,825)
Loss per share attributable to equity holders of the Company	11		
Basic		RMB(4.4) cents	RMB(3.1) cents
Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	374,348	402,050
Prepaid land lease payments		13,460	13,630
Investment properties		96,075	95,272
Properties for development		139,061	137,297
Goodwill	13	53,957	63,314
Intangible assets		–	530
Interests in associates		3,079	7,700
Interests in joint ventures		–	–
Financial assets at fair value through other comprehensive income	14	178,578	–
Available-for-sale investments	15	–	202,119
Loan and interest receivables	16	98,131	99,495
Prepayments and deposits		68	7,245
		956,757	1,028,652
CURRENT ASSETS			
Inventories		39,680	31,967
Loan and interest receivables	16	91,095	105,887
Trade and bills receivables	17	104,201	113,164
Prepayment, deposits and other receivables		136,887	37,834
Financial assets at fair value through profit or loss		500	–
Amounts due from related companies		7,056	9,748
Amount due from an associate		58,867	40,067
Amount due from a joint venture		6,070	6,462
Amounts due from non-controlling interests		633	1,663
Tax recoverable		131	129
Pledged bank deposits		127,170	127,118
Cash and cash equivalents		153,034	222,691
		725,324	696,730
Asset classified as held for sale		–	6,246
		725,324	702,976

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	18	63,599	71,451
Other payables and accruals		48,217	43,606
Bank and other borrowings		162,992	164,966
Promissory notes payable		13,082	22,872
Amounts due to associates		81,945	79,982
Amount due to a joint venture		120	4
Amount due to non-controlling interest		785	762
Amount due to a director		405	–
Tax payable		17,792	13,644
		388,937	397,287
NET CURRENT ASSETS			
		336,387	305,689
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,293,144	1,334,341
NON-CURRENT LIABILITIES			
Deferred tax liabilities		(22,254)	(18,760)
		1,270,890	1,315,581
EQUITY			
Share capital	19	11,649	9,694
Reserves		1,177,519	1,220,176
Equity attributable to equity holders of the Company		1,189,168	1,229,870
Non-controlling interests		81,722	85,711
		1,270,890	1,315,581

Tsai Wallen
Director

Ma Chi Ming
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to equity holders of the Company												
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	FVTOCI			Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000	Total equity RMB'000	
					Investment revaluation reserve RMB'000	revaluation reserve (Note 2) RMB'000	Statutory reserve fund RMB'000						Total RMB'000
At 31 December 2017, as originally presented (audited)	9,694	496,544	37,335	11	45,678	-	110,615	16	(20,615)	550,592	1,229,870	85,711	1,315,581
Change in accounting policy	-	-	-	-	(45,678)	45,678	-	-	-	-	-	-	-
At 1 January 2018, as restated	9,694	496,544	37,335	11	-	45,678	110,615	16	(20,615)	550,592	1,229,870	85,711	1,315,581
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(50,998)	(50,998)	3,087	(47,911)
Other comprehensive (expense)/income													
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	-	-	15,547	-	15,547	(2,964)	12,583
Loss on change in fair value of financial assets at fair value through other comprehensives income, net of tax	-	-	-	-	-	(30,835)	-	-	-	-	(30,835)	-	(30,835)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(30,835)	-	-	15,547	(50,998)	(66,286)	123	(66,163)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2,912)	(2,912)
Issue of new shares	1,955	23,451	-	-	-	-	-	-	-	-	25,406	-	25,406
Share issue expenses	-	(423)	-	-	-	-	-	-	-	-	(423)	-	(423)
Recognition of equity-settled share-based payments	-	-	601	-	-	-	-	-	-	-	601	-	601
Dividend declared to non-controlling interest (Note 1)	-	-	-	-	-	-	-	-	-	-	-	(1,200)	(1,200)
Transferred to retained profits upon forfeiture of share options	-	-	(146)	-	-	-	-	-	-	146	-	-	-
At 30 June 2018 (unaudited)	11,649	519,572	37,790	11	-	14,843	110,615	16	(5,068)	499,740	1,189,168	81,722	1,270,890

Note 1: During the six months ended 30 June 2018, interim dividend amounting to RMB1,200,000 (six months ended 30 June 2017: RMB: Nil) was declared by Fujian Azalli Daily Chemicals Limited, a non-wholly owned subsidiary of the Company, to its non-controlling interest.

Note 2: FVTOCI represents financial assets at fair value through other comprehensive income.

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2017

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Net cash used in operating activities		(76,918)	(134,487)
Investing activities			
Increase in available-for-sale investments		–	(29,768)
Increase in investment in promissory note receivables		–	(59,800)
Increase in financial assets at fair value through profit or loss		(4,300)	(87,831)
Acquisition of property, plant and equipment	12	(6,284)	–
Acquisition of subsidiaries		–	(22,115)
Net (outflow)/inflow from disposal of subsidiaries	21	(463)	27,677
Other cash flows from investing activities		5,038	7,776
Net cash used in investing activities		(6,009)	(164,061)
Financing activities			
Drawdown of bank loans		4,700	–
Repayment of borrowings		(7,088)	–
Repayment of promissory notes payable		(10,101)	–
Net proceeds from issue of shares		24,983	–
Net cash generated from financing activities		12,494	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		(70,433)	(298,548)
Cash and cash equivalents at beginning of period		222,691	614,462
Effect of foreign exchange rate changes, net		776	1,416
CASH AND CASH EQUIVALENTS AT END OF PERIOD		153,034	317,330
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents presented in the condensed consolidated statement of financial position		153,034	317,330

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2018

1. CORPORATE INFORMATION

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

The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 2005-2006, Kinwick Centre, 32 Hollywood Road, Central, Hong Kong. The Company's principal place of business in the People's Republic of China (the "Mainland China" or the "PRC") is located at No. 8, North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province, the PRC.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

Other than the changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRS"), the accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2017.

In the current period, for the first time, the Group has applied the following new and amendments to the IFRSs issued by the International Accounting Standard Board. These IFRSs are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's unaudited condensed consolidated financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 1 and IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments

IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting.

Equity and fund investments previously classified as available-for-sale

The Group elected to present other comprehensive income changes in fair value of all its equity and fund investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. The equity and fund investments designated as at fair value through comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognised in other comprehensive income, and accumulated in the related revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss included in revaluation reserve will not be reclassified to profit or loss on disposal of the equity and fund investments, and will be transferred to retained profits or will continue to be held in the revaluation reserve.

As a result, the equity and fund investments with a fair value of RMB202,119,000 at 31 December 2017 were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income on 1 January 2018.

Other than the effect on IFRS 9 as disclosed above, the adoption of the above new or revised IFRSs did not have a material impact on the Group's unaudited condensed consolidated interim financial information.

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

3. OPERATING SEGMENT INFORMATION

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

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

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

Segment assets exclude unallocated property, plant and equipment, prepayments, deposits and other receivables, financial assets at fair value through other comprehensive income, 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, bank and other borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

4. REVENUE

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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue from sales of goods	238,769	339,489
Interest income from money lending business	16,609	16,253
Income from operation of online platform	8,838	8,924
Rental income from investment properties	1,839	168
	266,055	364,834

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interest income	1,905	4,824
Income derived from financial assets at fair value through profit or loss	399	–
Income derived from available-for-sale investments	–	796
Gain on disposal of subsidiaries	–	95,586
Gain on change in fair value of financial assets at fair value through profit or loss	–	6,943
Reversal of impairment loss on trade receivables	–	4,053
Government subsidies*	619	736
Rental income	285	–
Others	832	273
	4,040	113,211

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

6. OTHER EXPENSES

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Loss on disposal of property, plant and equipment	2,580	1,929
Impairment loss on loan and interest receivables	488	–
Trade receivables written off	232	6,343
Loss on early redemption of a promissory note	104	–
Loss on disposal of a subsidiary (Note 21)	9,004	–
Loss on change in fair value of investment properties	406	7,518
Others	159	32
	12,973	15,822

7. FINANCE COSTS

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interest on bank borrowings	2,586	1,630
Interest on other borrowings	2,174	–
Imputed interest on promissory notes payable	136	–
	4,896	1,630

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

8. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Cost of inventories sold (note a below)	205,623	228,627
Depreciation (note a below)	18,066	16,186
Amortisation of prepaid land lease payments	170	170
Amortisation of intangible assets	36	29
Minimum lease payments under operating leases on land and buildings	1,966	1,172
Direct operating expenses arising from investment properties	618	–
Employee benefit expenses including directors' remuneration (note a below):		
Wages and salaries	26,975	47,579
Equity-settled share option expense	601	4,404
Retirement benefit scheme contributions	3,497	5,472
Total staff costs	31,073	57,455
Research and development costs (note b below)	5,586	5,633
Net foreign exchange loss	5,290	6,047

Notes:

- (a) The depreciation and employee benefits expenses for the six months ended 30 June 2018 included amounts of RMB10,556,000 (2017: RMB10,209,000) and RMB7,333,000 (2017: RMB15,235,000) respectively which are also included in the cost of inventories sold.
- (b) The research and development costs for the six months ended 30 June 2018 include an amount of RMB408,000 (2017: RMB1,309,000) relating to staff costs for research and development activities, which is also included in the total amounts of employee benefit expenses.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Hong Kong profits tax	1,951	2,974
PRC Enterprise Income tax	11	480
	1,962	3,454
Deferred tax	(212)	(937)
Total income tax expense	1,750	2,517

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

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

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

10. DIVIDENDS

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Dividends declared	–	–

The directors of the Company do not recommend any payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share is based on loss for the period attributable to the equity holders of the Company of approximately RMB50,998,000 (2017: RMB32,492,000) and the weighted average of 1,163,556,000 (2017: 1,041,551,000) ordinary shares in issue during the six months ended 30 June 2018.

Diluted loss per share for both of the periods are not presented as the effects of potential shares issuable arising from exercise of share options are regarded anti-dilutive.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

12. PROPERTY, PLANT AND EQUIPMENT

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
At beginning of period/year, net of accumulated depreciation	402,050	452,109
Additions, at cost	6,284	27,226
Disposals	(8,882)	(5,099)
Depreciation provided for the period/year	(18,066)	(32,584)
Impairment losses recognised for the period/year	–	(38,533)
Eliminated upon disposal of a subsidiary	(6,434)	(612)
Exchange realignment	(604)	(457)
	374,348	402,050
At end of period/year, net of accumulated depreciation	374,348	402,050

13. GOODWILL

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Cost		
At 1 January	139,114	139,114
Disposal of a subsidiary	(35,857)	–
At 30 June/31 December	103,257	139,114
Accumulated impairment losses		
At 1 January	75,800	39,500
Impairment loss recognised	–	36,300
Eliminated upon disposal of a subsidiary	(26,500)	–
At 30 June/31 December	49,300	75,800
Net carrying amount	53,957	63,314

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Financial assets at fair value through other comprehensive income		
– Equity securities listed in Hong Kong	91,603	–
– Unlisted investment fund	70,811	–
– Unlisted equity investments	16,164	–
	178,578	–

15. AVAILABLE-FOR-SALES INVESTMENTS

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
At fair value:		
– Equity securities listed in Hong Kong	–	68,536
– Unlisted investment fund	–	117,135
At cost less impairment:		
– Unlisted equity investments	–	16,448
	–	202,119

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

16. LOAN AND INTEREST RECEIVABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Loan and interest receivables thereon		
– within one year	91,095	105,887
– in the second to fifth year	85,368	83,253
– over five years	12,763	16,242
	189,226	205,382
Analysed for reporting as:		
Non-current asset	98,131	99,495
Current asset	91,095	105,887
	189,226	205,382

Movement during the period/year are as follows:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
At beginning of the period/year	205,382	125,341
Loans made by the Group	48,311	347,964
Interest on loan receivables	16,609	31,820
Loan and interest repaid by borrowers	(82,530)	(287,432)
Impairment loss of loan and interest receivables	(488)	–
Exchange realignment	1,942	(12,311)
	189,226	205,382
At end of the period/year	189,226	205,382

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

17. TRADE AND BILLS RECEIVABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade and bills receivables	104,452	113,415
Less: allowance for doubtful debts	(251)	(251)
	104,201	113,164

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 180 days (31 December 2017: 30 days to 180 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 and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within 30 days	33,566	24,228
31 to 60 days	13,664	18,207
61 to 90 days	8,613	24,940
Over 90 days	48,358	45,789
	104,201	113,164

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

18. TRADE AND BILLS PAYABLES

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within 30 days	25,420	46,795
31 to 90 days	19,877	10,026
Over 90 days	18,302	14,630
	63,599	71,451

The trade payables are non interest bearing and are normally settled on terms of 30 days to 180 days (31 December 2017: 30 days to 180 days).

19. SHARE CAPITAL

	Number of ordinary shares '000	30 June 2018 RMB'000 (unaudited)	Number of ordinary shares '000	31 December 2017 RMB'000 (audited)
Authorised:				
Ordinary shares of HK\$0.01 each	5,000,000	41,524	5,000,000	41,524
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At 1 January	1,158,436	9,694	1,010,491	8,386
Shares issued during the period/year (Note)	231,687	1,955	147,945	1,308
At 30 June/31 December	1,390,123	11,649	1,158,436	9,694

Note:

On 27 June 2018, 231,687,000 ordinary shares of HK\$0.01 each were allotted and issued at a price of HK\$0.130 per share which gave rise to the net proceeds of approximately RMB24,983,000.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

20. 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, 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 limit of the Scheme was refreshed on 30 June 2017 and the Scheme will remain in force for 10 years from that date.

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.

Movements of share options during the reporting period are as follows:

	30 June 2018		31 December 2017	
	Weighted average exercise price per share HK\$	Number of options '000	Weighted average exercise price per share HK\$	Number of options '000
At 1 January	1.26	94,827	1.43	81,093
Granted during the period/year	–	–	0.38	15,300
Forfeited during the period/year	1.38	(336)	1.29	(1,566)
At 30 June/31 December	1.26	94,491	1.26	94,827

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

20. SHARE OPTION SCHEME (continued)

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

30 June 2018 Number of options (<i>'000</i>)	Exercise price (<i>HK\$ per share</i>)	Exercise period
8,904	1.92	14-10-2012 to 13-10-2021
7,210	2.94	21-06-2013 to 20-06-2022
23,240	1.83	26-09-2015 to 25-09-2024
30,137	0.81	18-01-2017 to 27-12-2025
9,700	0.81	20-01-2017 to 27-12-2025
15,300	0.38	24-05-2017 to 23-05-2027
94,491		

31 December 2017 Number of options (<i>'000</i>)	Exercise price (<i>HK\$ per share</i>)	Exercise period
8,940	1.92	14-10-2012 to 13-10-2021
7,210	2.94	21-06-2013 to 20-06-2022
23,390	1.83	26-09-2015 to 25-09-2024
30,287	0.81	18-01-2017 to 27-12-2025
9,700	0.81	20-01-2017 to 27-12-2025
15,300	0.38	24-05-2017 to 23-05-2027
94,827		

The Group recognised share option expenses of a total of RMB601,000 (2017: RMB4,404,000) for the six months ended 30 June 2018.

At the end of the reporting period, the Company had 94,491,000 share options (2017: 94,827,000) 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 94,491,000 (2017: 94,827,000) additional ordinary shares of the Company which would give rise to the total proceeds of HK\$118,904,000 (2017: HK\$119,369,000).

Up to the date of approval of these condensed consolidated interim financial statements, the Company had 94,391,000 share options outstanding under the Scheme, which represented approximately 6.8% of the Company's shares in issue as at that date.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

21. DISPOSAL OF SUBSIDIARIES

On 30 June 2018, Frog Prince (China) Daily Chemicals Co., Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose of 80% equity interest in a subsidiary, 福建愛潔麗有限公司 (“Fujian Azalli”), for an aggregate cash consideration of RMB12,000,000. The disposal was completed on 30 June 2018. Immediately after completion of the disposal, the Fujian Azalli ceased to be a subsidiary of the Company.

An analysis of assets and liabilities at the date of disposal over which control was lost:

	<i>RMB'000</i>
Property, plant and equipment	6,434
Goodwill	9,357
Intangible asset	494
Inventories	1,621
Financial assets at fair value through profit or loss	3,800
Trade and bills receivables	5,062
Prepayments, deposits and other receivables	10,350
Amounts due from group companies	6,191
Pledged bank deposits	6,648
Cash and cash equivalents	463
Trade and bills payables	(22,464)
Other payables and accruals	(4,040)
	<hr/>
Net assets disposed of	23,916
	<hr/>
Loss on disposal of subsidiary	
Cash consideration	12,000
Net assets disposed of	(23,916)
Non-controlling interests	2,912
	<hr/>
Loss on disposal of a subsidiary (Note 6)	(9,004)
	<hr/>

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

	<i>RMB'000</i>
Cash consideration received	–
Cash and cash equivalents disposed of	(463)
	<hr/>
Net cash outflow from disposal of a subsidiary	(463)
	<hr/>

The consideration for disposal of RMB12,000,000 was included in other receivables at the end of reporting period. Such consideration receivable was fully settled subsequent to that date.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

22. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements. No leases for properties are negotiated at 30 June 2018 (31 December 2017: terms ranging from one to two years).

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within one year	2,204	2,335
In the second to fifth years, inclusive	31	90
	2,235	2,425

(b) As lessee

The Group leases certain of its warehouses and office premises under operating lease arrangements. Leases for properties are negotiated for terms of two years (31 December 2017: two to five years) with an option for renewal after that date, at which times all terms will be renegotiated.

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within one year	1,073	3,902
In the second to fifth years, inclusive	84	7,332
	1,157	11,234

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

23. COMMITMENTS

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Contracted, but not provided for:		
Purchase of items of property, plant and equipment	979	2,184

24. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2018 and 31 December 2017.

25. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Related companies:			
Sales of products	(a)	6,073	357
Associates:			
Sales of products	(b)	48,143	–
Purchases of products	(b)	10,459	–

Notes:

- (a) Sales to a related company, Shuangfei Daily Chemicals (USA) Inc., which is controlled by Mr. Li Zhenhui, a former director of the Company and a director of a subsidiary of the Company, were made on mutually agreed terms.
- (b) Sales to and purchases from an associate, Fujian Herun Supply Chain Management Ltd. were made on mutually agreed terms.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2018

25. RELATED PARTY TRANSACTIONS (continued)

(ii) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Short term employee benefits	345	1,814
Post-employment benefits	20	23
Equity-settled share option expense	–	280
Total compensation paid to key management personnel	365	2,117

26. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

There are no significant events occurred by the Group subsequent to 30 June 2018.

27. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 29 August 2018.

Supplementary Information to the Interim Report

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Details of movements of the Company's share options, granted under the share option scheme, during the six months ended 30 June 2018 are as follows:

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2018	Exercise period (Note 2)	
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period			
Executive Director Mr. Huang Xinwen	14 October 2011	1.92	300,000	-	-	-	-	300,000	B	
			300,000	-	-	-	-	300,000	C	
			600,000	-	-	-	-	600,000		
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D	
			240,000	-	-	-	-	240,000	E	
			240,000	-	-	-	-	240,000	F	
				800,000	-	-	-	-	800,000	
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G	
			300,000	-	-	-	-	300,000	H	
			300,000	-	-	-	-	300,000	I	
				1,000,000	-	-	-	-	1,000,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J	
			300,000	-	-	-	-	300,000	K	
			300,000	-	-	-	-	300,000	L	
				1,000,000	-	-	-	-	1,000,000	
<i>Sub-total</i>			<i>3,400,000</i>	-	-	-	-	<i>3,400,000</i>		

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2018	Exercise period (Note 2)	
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period			
Non-executive Directors Mr. Li Zhouxin (re-designated from executive director on 30 June 2017)	21 June 2012	2.94	90,000	-	-	-	-	90,000	E	
			90,000	-	-	-	-	90,000	F	
			180,000	-	-	-	-	180,000		
	26 September 2014	1.83	120,000	-	-	-	-	120,000	G	
			90,000	-	-	-	-	90,000	H	
			90,000	-	-	-	-	90,000	I	
				300,000	-	-	-	-	300,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J	
			300,000	-	-	-	-	300,000	K	
			300,000	-	-	-	-	300,000	L	
				1,000,000	-	-	-	-	1,000,000	
	Sub-total			1,480,000	-	-	-	-	1,480,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2018	Exercise period (Note 2)
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors									
Mr. Ren Yunan (resigned on 17 April 2018)	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	F
			30,000	-	-	-	-	30,000	F
			100,000	-	-	-	-	100,000	
	26 September 2014	1.83	80,000	-	-	-	-	80,000	G
			60,000	-	-	-	-	60,000	H
			60,000	-	-	-	-	60,000	I
			200,000	-	-	-	-	200,000	
	18 January 2016	0.81	1,400,000	-	-	-	-	1,400,000	J
			1,050,000	-	-	-	-	1,050,000	K
			1,050,000	-	-	-	-	1,050,000	L
			3,500,000	-	-	-	-	3,500,000	
Sub-total			3,900,000	-	-	-	-	3,900,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2018	Exercise period (Note 2)
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors (continued)									
Mr. Li Zhenhui (resigned on 27 January 2017)	14 October 2011	1.92	800,000	-	-	-	-	800,000	A
			600,000	-	-	-	-	600,000	B
			600,000	-	-	-	-	600,000	C
			2,000,000	-	-	-	-	2,000,000	
	21 June 2012	2.94	144,000	-	-	-	-	144,000	D
			108,000	-	-	-	-	108,000	E
			108,000	-	-	-	-	108,000	F
			360,000	-	-	-	-	360,000	
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	1,000,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
			1,000,000	-	-	-	-	1,000,000	
Sub-total			4,360,000	-	-	-	-	4,360,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2018	Exercise period (Note 2)
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors (continued)									
Mr. Ge Xiaohua (retired on 15 June 2017)	14 October 2011	1.92	300,000	-	-	-	-	300,000	B
			300,000	-	-	-	-	300,000	C
			600,000	-	-	-	-	600,000	
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D
			240,000	-	-	-	-	240,000	E
			240,000	-	-	-	-	240,000	F
			800,000	-	-	-	-	800,000	
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	1,000,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
			1,000,000	-	-	-	-	1,000,000	
Sub-total			3,400,000	-	-	-	-	3,400,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2018	Exercise period (Note 2)
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors (continued)									
Mr. Xie Jinling (resigned on 19 July 2016)	14 October 2011	1.92	400,000	-	-	-	-	400,000	A
			300,000	-	-	-	-	300,000	B
			300,000	-	-	-	-	300,000	C
			1,000,000	-	-	-	-	1,000,000	
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D
			240,000	-	-	-	-	240,000	E
			240,000	-	-	-	-	240,000	F
			800,000	-	-	-	-	800,000	
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	1,000,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
			1,000,000	-	-	-	-	1,000,000	
Sub-total			3,800,000	-	-	-	-	3,800,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2018	Exercise period (Note 2)
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors (continued)									
Ms. Hong Fang (resigned on 27 January 2016)	14 October 2011	1.92	400,000	-	-	-	-	400,000	A
			300,000	-	-	-	-	300,000	B
			300,000	-	-	-	-	300,000	C
			1,000,000	-	-	-	-	1,000,000	
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D
			240,000	-	-	-	-	240,000	E
			240,000	-	-	-	-	240,000	F
			800,000	-	-	-	-	800,000	
	26 September 2014	1.83	1,200,000	-	-	-	-	1,200,000	G
			900,000	-	-	-	-	900,000	H
			900,000	-	-	-	-	900,000	I
			3,000,000	-	-	-	-	3,000,000	
	18 January 2016	0.81	1,200,000	-	-	-	-	1,200,000	J
			900,000	-	-	-	-	900,000	K
			900,000	-	-	-	-	900,000	L
			3,000,000	-	-	-	-	3,000,000	
Sub-total			7,800,000	-	-	-	-	7,800,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2018	Exercise period (Note 2)
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors (continued)									
Mr. Chen Shaojun (resigned on 4 May 2016)	14 October 2011	1.92	40,000	-	-	-	-	40,000	A
			30,000	-	-	-	-	30,000	B
			30,000	-	-	-	-	30,000	C
			100,000	-	-	-	-	100,000	
	21 June 2012	2.94	40,000	-	-	-	-	40,000	D
			30,000	-	-	-	-	30,000	E
			30,000	-	-	-	-	30,000	F
			100,000	-	-	-	-	100,000	
	26 September 2014	1.83	80,000	-	-	-	-	80,000	G
			60,000	-	-	-	-	60,000	H
			60,000	-	-	-	-	60,000	I
			200,000	-	-	-	-	200,000	
	18 January 2016	0.81	80,000	-	-	-	-	80,000	J
			60,000	-	-	-	-	60,000	K
			60,000	-	-	-	-	60,000	L
			200,000	-	-	-	-	200,000	
Sub-total			600,000	-	-	-	-	600,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2018	Exercise period (Note 2)	
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period			
Former Directors (continued)										
Mr. Wong Wai Ming (resigned on 11 November 2016)	14 October 2011	1.92	40,000	-	-	-	-	40,000	A	
			30,000	-	-	-	-	30,000	B	
			30,000	-	-	-	-	30,000	C	
				100,000	-	-	-	-	100,000	
	21 June 2012	2.94	40,000	-	-	-	-	40,000	D	
			30,000	-	-	-	-	30,000	E	
			30,000	-	-	-	-	30,000	F	
				100,000	-	-	-	-	100,000	
	26 September 2014	1.83	80,000	-	-	-	-	80,000	G	
			60,000	-	-	-	-	60,000	H	
			60,000	-	-	-	-	60,000	I	
				200,000	-	-	-	-	200,000	
18 January 2016	0.81	80,000	-	-	-	-	80,000	J		
		60,000	-	-	-	-	60,000	K		
		60,000	-	-	-	-	60,000	L		
			200,000	-	-	-	-	200,000		
Sub-total			600,000	-	-	-	-	600,000		
Mr. Lee Man Chiu (resigned on 20 May 2016)	18 January 2016	0.81	80,000	-	-	-	-	80,000	J	
			60,000	-	-	-	-	60,000	K	
			60,000	-	-	-	-	60,000	L	
Sub-total			200,000	-	-	-	-	200,000		
Total for directors			29,540,000	-	-	-	-	29,540,000		

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2018	Exercise period (Note 2)	
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period			
Employees of the Group in aggregate	14 October 2011	1.92	352,400	-	-	-	-	352,400	A	
			1,525,800	-	-	-	(18,000)	1,507,800	B	
			1,561,800	-	-	-	(18,000)	1,543,800	C	
				3,440,000	-	-	-	(36,000)	3,404,000	
	21 June 2012	2.94	761,600	-	-	-	-	761,600	D	
			1,204,200	-	-	-	-	1,204,200	E	
			1,204,200	-	-	-	-	1,204,200	F	
				3,170,000	-	-	-	-	3,170,000	
	26 September 2014	1.83	6,196,000	-	-	-	(60,000)	6,136,000	G	
			4,647,000	-	-	-	(45,000)	4,602,000	H	
			4,647,000	-	-	-	(45,000)	4,602,000	I	
				15,490,000	-	-	-	(150,000)	15,340,000	
18 January 2016	0.81	7,274,600	-	-	-	(60,000)	7,214,600	J		
		5,455,950	-	-	-	(45,000)	5,410,950	K		
		5,455,950	-	-	-	(45,000)	5,410,950	L		
			18,186,500	-	-	-	(150,000)	18,036,500		
24 May 2017	0.38	15,300,000	-	-	-	-	15,300,000	P		
Total for employees			55,586,500	-	-	-	(336,000)	55,250,500		
Distributors of the Group in aggregate	20 January 2016	0.81	3,880,000	-	-	-	-	3,880,000	M	
			2,910,000	-	-	-	-	2,910,000	N	
			2,910,000	-	-	-	-	2,910,000	O	
Total for distributors			9,700,000	-	-	-	-	9,700,000		
TOTAL			94,826,500	-	-	-	(336,000)	94,490,500		

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Notes:

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

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

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

Supplementary Information to the Interim Report (continued)

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

As at 30 June 2018, the interests of the directors of the Company in the shares and underlying shares of the Company, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code", Appendix 10 to the Listing Rules), to be notified to the Company and the Stock Exchange, were as follows:

A. Long positions in the ordinary shares of the Company

Name of director	Nature of interests	Number of ordinary shares interested	Percentage⁺ of the Company's issued share capital
Mr. Huang Xinwen	Beneficial owner	400,000	0.03%

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2018.

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. Huang Xinwen	Beneficial owner	3,400,000	0.24%
Mr. Li Zhouxin	Beneficial owner	1,480,000	0.11%

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2018.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2018, none of the directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Supplementary Information to the Interim Report (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

A. Long positions in the ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of ordinary shares interested	Percentage ⁺ of the Company's issued share capital
Golden Sparkle Limited	Beneficial owner (<i>Note 1</i>)	263,308,500	18.94%
Mr. Lai Wai Lam Ricky	Interest of controlled corporation (<i>Note 1</i>)	263,308,500	18.94%
Mr. Da Zhibiao	Beneficial owner	140,382,500	10.10%
Elite Beauty International Trading (Hong Kong) Co., Limited	Beneficial owner (<i>Note 2</i>)	80,000,000	5.75%
Mr. Li Liang	Interest of controlled corporation (<i>Note 2</i>)	80,000,000	5.75%

Notes:

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

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2018.

Supplementary Information to the Interim Report (continued)

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

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

Name of substantial shareholder	Nature of interests	Number of underlying shares interested	Percentage ⁺ of underlying shares over the Company's issued share capital
Mr. Li Liang	Beneficial owner	30,000	0.002%

⁺ The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2018.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2018, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code during the reporting period.

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

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 period ended 30 June 2018.

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.

Supplementary Information to the Interim Report (continued)

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 of the Listing Rules during the period ended 30 June 2018, except for code provision A.2.1. 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. The role of the chief executive officer was performed by Mr. Tsai Wallen (“Mr. Tsai”), who was also the chairman of the Company. Mr. Tsai has over 30 years of experience in realty and investment business. He is responsible for managing the overall operations of the Group and planning the business development and strategies.

The Directors consider that vesting the role of the chairman of the Board and the chief executive officer in the same individual is beneficial to the management and business development of the Group. The balance of power and authority is ensured by the operations of the Board and the senior management, which comprise experienced and high calibre individuals. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

UPDATE ON DIRECTORS’ INFORMATION

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

- Mr. Ren Yunan was resigned as a non-executive director of the Company on 17 April 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save for the placements and Placing Shares as disclosed in the announcements of the Company dated 12 June 2018, 15 June 2018 and 27 June 2018, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period under review.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company’s three independent non-executive directors, has reviewed the unaudited condensed consolidated results of the Company for the six months ended 30 June 2018, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.