China Child Care Corporation Limited
中國兒童護理有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1259)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2017:

Revenue decreased by about 20.4% from approximately RMB999.5 million of the same period in 2016 to approximately RMB795.6 million.

Gross profit decreased by about 48.9% over the same period in 2016 to approximately RMB181.8 million.

Gross profit margin decreased by around 12.8 percentage points over the same period in 2016 to approximately 22.8%.

Loss attributable to equity holders of the Company for the year amounted to approximately RMB170.7 million, as compared to loss attributable to equity holders of the Company amounted to RMB111.2 million over the same period in 2016.

Basic loss per share attributable to equity holders of the Company amounted to RMB15.5 cents, as compared to basic loss per share attributable to equity holders of the Company amounted to RMB11.0 cents over the same period in 2016.

The board of directors (the "**Board**") of China Child Care Corporation Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

		2017	2016
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**795,580**	999,544
Cost of sales		**(613,829)**	(644,101)
Gross profit		**181,751**	355,443
Other income and gains	*5*	**130,423**	8,501
Gain/(loss) on change in fair value of investment properties		**13,222**	(7,300)
Selling and distribution expenses		**(227,146)**	(329,495)
Administrative expenses		**(148,506)**	(99,736)
Impairment loss of goodwill		**(36,300)**	(22,000)
Other expenses	*6*	**(65,840)**	(10,820)
Finance costs	*7*	**(3,215)**	(596)
Share of loss of associates		**(628)**	–
Share of loss of joint ventures		**(299)**	–
Loss before tax	*8*	**(156,538)**	(106,003)
Income tax expense	*9*	**(6,745)**	(3,473)
Loss for the year		**(163,283)**	(109,476)
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(170,744)**	(111,189)
Non-controlling interests		**7,461**	1,713
Loss for the year		**(163,283)**	(109,476)

	Notes	**2017**	2016
		RMB'000	*RMB'000*
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		**(28,311)**	1,482
Increase/(decrease) in investment revaluation reserve from:			
– Gain on change in fair value of available-for-sale investments, net of tax		**55,970**	–
– Reserve released to profit or loss on disposal of available-for-sale investments		**(10,292)**	–
		17,367	1,482
Items that may not be reclassified to profit or loss in subsequent periods:			
Deferred tax liabilities taken to retained profits on disposal of properties		**2,386**	–
Other comprehensive income for the year		**19,753**	1,482
Total comprehensive expense for the year		**(143,530)**	(107,994)
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		**(150,563)**	(109,800)
Non-controlling interests		**7,033**	1,806
		(143,530)	(107,994)
Loss per share attributable to equity holders of the Company	*11*		
Basic		**RMB (15.5) cents**	RMB (11.0) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**402,050**	452,109
Prepaid land lease payments		**13,630**	13,969
Investment properties		**95,272**	23,000
Properties for development		**137,297**	–
Goodwill		**63,314**	99,614
Intangible assets		**530**	593
Interests in associates		**7,700**	–
Interests in joint ventures		**–**	–
Available-for-sale investments		**202,119**	–
Loan and interest receivables	*12*	**99,495**	7,329
Prepayments and deposits		**7,245**	2,864
		1,028,652	599,478
CURRENT ASSETS			
Inventories		**31,967**	30,852
Loan and interest receivables	*12*	**105,887**	118,012
Trade and bills receivables	*13*	**113,164**	134,058
Prepayment, deposits and other receivables		**37,834**	42,590
Available-for-sale investments		**–**	15,300
Amounts due from related companies		**9,748**	7,418
Amounts due from associates		**40,067**	–
Amount due from a joint venture		**6,462**	–
Amounts due from non-controlling interests		**1,663**	–
Tax recoverable		**129**	–
Pledged bank deposits		**127,118**	124,866
Cash and cash equivalents		**222,691**	614,462
		696,730	1,087,558
Asset classified as held for sale		**6,246**	–
Total current assets		**702,976**	1,087,558

	Notes	2017 RMB'000	2016 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	*14*	**71,451**	93,695
Other payables and accruals		**43,606**	102,386
Bank and other borrowings		**164,966**	110,919
Promissory notes payable		**22,872**	–
Amounts due to associates		**79,982**	–
Amount due to a joint venture		**4**	–
Amount due to a non-controlling interest		**762**	–
Amount due to a director		**–**	399
Derivative financial liabilities		**–**	1,826
Tax payable		**13,644**	9,710
		397,287	318,935
NET CURRENT ASSETS		**305,689**	768,623
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,334,341**	1,368,101
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**18,760**	17,923
		1,315,581	1,350,178
EQUITY			
Share capital		**9,694**	8,386
Reserves		**1,220,176**	1,316,602
Equity attributable to equity holders of the Company		**1,229,870**	1,324,988
Non-controlling interests		**85,711**	25,190
		1,315,581	1,350,178

NOTES

1. GENERAL 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 address of the Company's registered office 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 and 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 manufacture and sale of personal care products, money lending, operation of online platform, trading of commodities, securities investment, properties holding and investment holding.

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

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised IFRSs applied in the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("**IASB**"):

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

The application of the above new and revised amendments to IFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised IFRSs not yet effective

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

IAS 28	Investments in Associates and Joint Ventures[2]
IFRS 9 (2014)	Financial Instruments[1]
IFRS 9 (2017)	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatment[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 1	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

[4] Effective for annual periods beginning on or after a date to be determined.

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, gain on disposal of subsidiaries, other unallocated income and gains, impairment loss of goodwill, finance costs as well as corporate and unallocated expenses are excluded from such measurement.

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

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

In the current year, management considered it more appropriate to monitor the segment of personal care products as a whole for the purpose of making decisions about allocation and performance assessment of various businesses of the Group. The comparative information of this segment, which were separately presented segment of "children's personal care products", "adults' personal care products" and "other products" in the consolidated financial statements of the Group for the prior year ended 31 December 2016, has been restated to conform with the current year's presentation.

	Personal care products RMB'000	Money lending RMB'000	Operation of online platform RMB'000	Trading of commodities RMB'000	Securities investment RMB'000	Properties holding RMB'000	Total RMB'000
In respect of year ended 31 December 2017							
Segment revenue	570,791	31,820	21,070	171,387	–	304	795,372
Unallocated revenue							208
Total revenue							795,580
Segment (loss)/profit	(227,743)	3,145	16,461	4,891	9,263	13,046	(180,937)
Interest income							9,527
Gain on disposal of subsidiaries							95,885
Other unallocated income and gains							1,087
Corporate and other unallocated expenses							(42,585)
Finance costs							(3,215)
Impairment loss of goodwill	(7,000)		(29,300)				(36,300)
Loss before tax							(156,538)
Segment assets	624,106	216,978	16,716	3,278	185,708	239,694	1,286,480
Goodwill	9,357		53,957				63,314
Corporate and other unallocated assets							381,834
Total assets							1,731,628
Segment liabilities	171,961	14,739	166	29	185	2,007	189,087
Corporate and other unallocated liabilities							226,960
Total liabilities							416,047
Other segment information:							
Depreciation and amortisation*	32,099	9	338	–	–	–	32,446
Unallocated							540
							32,986
Capital expenditure**	13,175	7,449	1,308	–	–	230,075	252,007
Unallocated							5,294
							257,301

	Personal care products *RMB'000* (restated)	Money lending *RMB'000*	Operation of online platform *RMB'000* (restated)	Trading of commodities *RMB'000*	Securities investments *RMB'000*	Properties holding *RMB'000* *(Note)*	Total *RMB'000*
In respect of year ended 31 December 2016							
Segment revenue	715,064	4,091	4,796	275,593	–	–	999,544
Segment (loss)/profit	(86,449)	2,226	4,584	10,550	–	(5,234)	(74,323)
Interest income							2,862
Other unallocated income and gains							926
Corporate and other unallocated expenses							(12,872)
Finance costs							(596)
Impairment loss of goodwill	(2,000)		(20,000)				(22,000)
Loss before tax							(106,003)
Segment assets	661,062	125,788	6,406	–	–	23,000	816,256
Goodwill	16,357		83,257				99,614
Corporate and other unallocated assets							771,166
Total assets							1,687,036
Segment liabilities	175,760	817	84	1,741	–	–	178,402
Corporate and other unallocated liabilities							158,456
Total liabilities							336,858
Other segment information:							
Depreciation and amortisation*	32,354	–	–	–	–	–	32,354
Capital expenditure**	7,431	–	–	–	–	–	7,431

Note: The revenue, results and assets of properties holding segment in respect of the comparative prior year have been separately presented to conform with the current year's presentation.

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment sale in the current year (2016: Nil).

* 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, investment properties and properties for development.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers as detailed below:

	2017	2016
	RMB'000	*RMB'000*
PRC (excluding Hong Kong)	**456,117**	580,922
Hong Kong	**54,989**	8,887
USA	**139,701**	82,162
Indonesia	**96,212**	275,593
Overseas (excluding USA and Indonesia)	**48,561**	51,980
	795,580	999,544

Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

		2017	2016
	Revenue generated from	***RMB'000***	*RMB'000*
Customer A	Personal care products	**115,634**	N/A[1]
Customer B	Trading of commodities	**96,212**	275,593

Note 1: The revenue from customer A does not exceed 10% of the total revenue of the Group for the year ended 31 December 2016.

4. REVENUE

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

	2017	2016
	RMB'000	*RMB'000*
Revenue from sales of goods	**742,178**	990,657
Interest income from money lending business	**31,820**	4,091
Income from operation of online platform	**21,070**	4,796
Rental income	**304**	–
Consultancy income	**208**	–
	795,580	999,544

5. OTHER INCOME AND GAINS

	2017	2016
	RMB'000	*RMB'000*
Interest income	**9,527**	2,862
Income derived from available-for-sale investments	**1,053**	926
Gain on disposal of available-for-sale investments	**11,477**	–
Gain on disposal of subsidiaries	**95,885**	–
Gain on disposal of intangible assets *(note 2)*	**4,505**	–
Government subsidies *(note 1)*	**2,340**	2,011
Rental income from lease of investment properties	**–**	2,066
Reversal of impairment loss of trade receivables	**4,525**	–
Sundry income	**1,111**	636
	130,423	8,501

Notes:

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

2. The costs incurred for the internal generated intangible assets had been expensed in prior years.

6. OTHER EXPENSES

	2017	2016
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**1,308**	372
Loss on disposal of intangible assets	**–**	13
Impairment loss on property, plant and equipment	**38,533**	–
Impairment loss on interests in associates	**8,372**	–
Impairment loss on available-for-sale investments	**7,789**	–
Impairment loss on trade receivables	**–**	4,776
Impairment loss on other receivables	**429**	–
Trade receivables written off	**8,278**	3,174
Inventories written off	**1,061**	595
Loss on change in fair value of derivative financial liabilities	**–**	1,825
Others	**70**	65
	65,840	10,820

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank borrowings	**2,368**	596
Interest on bank overdrafts	**2**	–
Interest on other borrowings	**389**	–
Imputed interest on promissory notes payable	**456**	–
	3,215	596

8. LOSS BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold *(note a below)*	**613,829**	644,101
Depreciation *(note a below)*	**32,584**	31,883
Amortisation of prepaid land lease payments	**339**	339
Amortisation of intangible assets	**63**	132
Minimum lease payments under operating leases on land and buildings	**3,454**	773
Employee benefit expenses (including directors' remuneration) *(notes a & b below):*		
Wages and salaries	**102,907**	90,690
Equity-settled share-based payments	**6,395**	9,613
Retirement benefit scheme contributions	**8,155**	7,855
Total staff costs	**117,457**	108,158
Auditors' remuneration		
– audit services	**1,724**	1,800
– non-audit services	**668**	20
Research and development costs included in administrative expenses *(note b below)*	**8,721**	7,985
Loss on change in fair value of derivative financial liabilities	**1,822**	5,203
Net foreign exchange losses/(gains)	**13,077**	(6,376)

Notes:

(a) Included in depreciation and employee benefit expenses are the amounts of RMB19,723,000 (2016: RMB20,186,000) and RMB44,781,000 (2016: RMB35,997,000) respectively which are also included in the cost of inventories sold.

(b) The research and development costs for the year included the amount of RMB2,560,000 (2016: RMB3,295,000) relating to staff costs for research and development activities, which is also included in the employee benefit expenses.

9. INCOME TAX EXPENSE

	2017 *RMB'000*	2016 *RMB'000*
Hong Kong Profits Tax	**5,470**	2,923
PRC Enterprise Income Tax	**1,654**	550
	7,124	3,473
Deferred tax	**(379)**	–
Total income tax recognised in profit or loss	**6,745**	3,473

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

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 years.

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

The directors of the Company do not recommend any payment of a dividend in respect of the year ended 31 December 2017 (2016: Nil).

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

The calculation of the loss per share attributable to equity holders of the Company is based on the following data:

	2017	2016
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to equity holders of the Company	**(170,744)**	(111,189)
Loss for the purpose of diluted loss per share *(note)*	**N/A**	N/A

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,100,474**	1,010,491
Weighted average number of ordinary shares for the purpose of diluted loss per share *(note)*	**N/A**	N/A

Note:

As the Group sustained a loss for both of the years presented, diluted loss per share for these years are not presented as the effects of potential shares issuable arising from exercise of share options are regarded anti-dilutive.

12. LOAN AND INTEREST RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Loan and interest thereon receivable		
– within one year	**105,887**	118,012
– in the second to fifth years	**83,253**	7,329
– over the fifth year	**16,242**	–
	205,382	125,341
Analysed for reporting as:		
Non-current asset	**99,495**	7,329
Current asset	**105,887**	118,012
	205,382	125,341

Movements during the year are as follows:

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	**125,341**	–
Loans made by the Group	**347,964**	116,074
Interest on loan receivables	**31,820**	4,091
Loan and interest repaid by borrowers	**(287,432)**	(365)
Exchange realignment	**(12,311)**	5,541
At 31 December	**205,382**	125,341

Details of loan receivables (excluding interest receivables) are as follows:

31 December 2017

Loan principal amount *HK$'000*	Number of borrowers	Interest rate per annum	Maturity date	Security pledged
216,427	36	10%-31.5%	Within 1 year to 20 years	Leasehold properties owned by the borrowers
21,789	122	12%-58%	Within 1 year to 4 years	Nil
238,216				

31 December 2016

Loan principal amount *HK$'000*	Number of borrowers	Interest rate per annum	Maturity date	Security pledged
16,000	1	60%	Within 1 year	Other assets owned by the borrower
27,000	1	38%	Within 1 year	Unlisted securities owned by the borrower
27,500	1	38%	Within 1 year	Listed securities owned by the borrower
65,264	7	9%-36%	Within 1 year to 10 years	Leasehold properties owned by the borrowers
135,764				

Loan and interest receivables thereon will be settled by the borrowers at their respective maturity dates.

13. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade and bills receivables	**113,415**	138,834
Less: allowance for doubtful debts	**(251)**	(4,776)
	113,164	134,058

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period granted by the Group to its customers is generally 30 days to 180 days (2016: 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:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**24,228**	78,059
31 to 60 days	**18,207**	29,899
61 to 90 days	**24,940**	15,122
Over 90 days	**45,789**	10,978
	113,164	134,058

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

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**63,044**	95,625
Past due but not impaired		
– 1 to 30 days	**14,467**	17,323
– Over 30 days	**35,653**	21,110
Total	**113,164**	134,058

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.

Movements of allowance of trade and bill receivables are as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**4,776**	–
Impairment loss recognised	**–**	4,776
Reversal of impairment	**(4,525)**	–
At 31 December	**251**	4,776

14. TRADE AND BILLS PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**46,795**	23,458
31 to 90 days	**10,026**	44,630
Over 90 days	**14,630**	25,607
	71,451	93,695

The trade payables are interest free and are normally settled on terms of one to six months (2016: one to six months).

At the end of the reporting period, bills payables amounted to RMB7,118,000 (2016: RMB4,866,000) were secured by the pledge of bank deposits of RMB7,118,000 (2016: RMB4,866,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Personal Care Products

During the reporting period, the revenue from personal care products of the China Child Care Corporation Limited (the "**Company**") and its subsidiaries (the "**Group**") was approximately RMB570.8 million, representing a decrease of about 20.2% over the same period of last year (31 December 2016: RMB715.1 million). The personal care products business recorded a loss of approximately RMB227.8 million during the reporting period, representing an increase of about 163.4% over the same period of last year (31 December 2016: RMB86.4 million).

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 result in decrease in revenue of personal care products segment.

The additional 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**"), the change in consumers' consumption habits to electronic commerce and the Deconsolidation of Fujian Herun but the fixed costs of the Group were not reduced. Moreover, impairment losses on property, plant and equipment of approximately RMB38.5 million was provided during the reporting period (2016: Nil).

Money Lending Business

The Group commenced its money lending business in the fourth quarter of 2016, and the primary target customers of the Group were those who seek for loans of significant amount and are able to provide guarantees for relevant loans. During the reporting period, this business segment generated interest income of approximately RMB31.8 million, representing an increase of about 677.8% over the same period of last year (31 December 2016: RMB4.1 million) and recorded a segment profit of approximately RMB3.1 million during the reporting period, representing an increase of about 41.3% over the same period of last year (31 December 2016: RMB2.2 million).

As at 31 December 2017, the Group has outstanding (i) unsecured loan of approximately RMB18.1 million with average effective interest rate of approximately 33.39% per annum with terms ranging from 2 months to 42 months; and (ii) mortgage loan of approximately RMB180.3 million with average effective interest rate of approximately 15.25% per annum with terms ranging from 1 month 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.

On 4 July 2017, the Group entered into the loan agreement with customer A and customer B. Pursuant to which the Group agreed to grant to the customer A and customer B, a loan with principal amount of HK$75 million, bearing interest at a rate of 12% per annum for a period of 12 months from the date of the loan agreement. The loan is secured by second legal mortgage in respect of a residential property located in Ho Man Tin, Kowloon.

Details of the loan and the provision of financial assistance are set out in the Company's announcement dated 4 July 2017.

On 19 July 2017, the Group entered into the loan agreement with customer C and customer D. Pursuant to which the Group agreed to grant to the customer C and customer D, a loan with principal amount of HK$95 million, bearing interest at a rate of 16% per annum for a period of 36 months from the date of the loan agreement. The loan is secured by third legal mortgage in respect of a residential property located in South Island, Hong Kong.

Details of the loan and the provision of financial assistance are set out in the Company's announcement dated 19 July 2017.

On 14 November 2017, the Group entered into the loan agreement with customer E and customer F. Pursuant to which the Group agreed to grant to the customer E and customer F, a loan with principal amount of HK$23.5 million, bearing interest at a rate of 12% per annum for a period of 12 months from the date of the loan agreement. The loan is secured by first legal mortgage in respect of residential properties located in Tseung Kwan O, New Territories, Hong Kong.

Details of the loan and the provision of financial assistance are set out in the Company's announcement dated 14 November 2017.

Operation of Online Platform

During the reporting period, the operation of online platform focusing on the children, babies and parents (the "**CBP**") contributed a total revenue of approximately RMB21.1 million to the Group, representing an increase of about 339.3% over the same period of last year (31 December 2016: RMB4.8 million) and recorded a profit of approximately RMB16.5 million, representing an increase of about 259.1% over the same period of last year (31 December 2016: RMB4.6 million).

Trading of Commodities

The Group's business segment of trading of commodities was put into operation in the fourth quarter of 2016. During the reporting period, the trading of commodities contributed a total revenue of approximately RMB171.4 million to the Group, representing a decrease of about 37.8% over the same period of last year (31 December 2016: RMB275.6 million). The decrease was mainly due to the decrease in the transaction amount of palm oil from approximately RMB275.6 million in 2016 to approximately RMB96.2 million in 2017. Starting from the fourth quarter of 2017, the Group commenced the sale of electronic products and other electronic components to the electronic product distributors and retailers across the country which contributed approximately RMB57.0 million to the Group (2016: Nil). The trading of beverages and trading of other commodities contributed approximately RMB17.7 million and RMB0.5 million to the Group respectively (2016: Nil and Nil respectively).

The business of trading of commodities recorded a profit of approximately RMB4.9 million, representing a decrease of about 53.6% over the same period of last year (31 December 2016: RMB10.6 million).

Securities Investment

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

For the reporting period, the Group recorded a net realized gain of approximately RMB11.5 million (2016: Nil). The gain on disposal of equity securities listed in Hong Kong are as follows:

	For the year ended 31 December 2017 Gain on disposal *RMB'000*
Landing International Development Limited (582)	11,477

As at 31 December 2017, the Group had a portfolio of securities investment of approximately RMB68.5 million and all of which were equity securities listed in Hong Kong and unlisted investment funds of approximately RMB117.1 million. For the reporting period, the Group recorded a net unrealised gain of approximately RMB49.5 million in its entire investments.

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 31 December 2017**	**Change in fair value for the year ended 31 December 2017**	**Fair value as at 31 December 2017**	**% to the total assets of the Group as at 31 December 2017**
		RMB'000	*RMB'000*	
Listed securities				
International Entertainment Corporation (1009)	0.97	2,599	21,266	1.23
LEAP Holdings Group Limited (1499)	1.48	15,201	30,820	1.78
China Baoli Technologies Holdings Limited (164)	0.26	795	9,013	0.52
Singasia Holdings Limited (8293)	0.20	4,275	7,437	0.43
Unlisted fund				
Head and shoulders Global investment Fund SFC	N/A	26,581	117,135	6.76

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

Properties Holding

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

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. 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 is 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 can further expand the Group's business, broaden its revenue streams and bring greater return to the shareholders of the Company (the "**Shareholders**").

FINANCIAL REVIEW

During the reporting period, the turnover of the Group was approximately RMB795.6 million, representing a decrease of about 20.4% over the same period of last year (for the year ended 31 December 2016: RMB999.5 million).

The revenue from personal care products of the Group was approximately RMB570.8 million, representing a decrease of about 20.2% over the same period of last year (for the year ended 31 December 2016: RMB715.1 million).

The money lending business contributed a total revenue of approximately RMB31.8 million, representing an increase of about 677.8% over the same period of last year (for the year ended 31 December 2016: RMB4.1 million).

The Group's business segment of the operation of online platform contributed a total revenue of approximately RMB21.1 million, representing an increase of about 339.3% over the same period of last year (for the year ended 31 December 2016: RMB4.8 million).

The Group's business segment of trading of commodities contributed a total revenue of approximately RMB171.4 million, representing a decrease of about 37.8% over the same period of last year (for the year ended 31 December 2016: RMB275.6 million).

The Group's business segment of properties holding contributed a total revenue of approximately RMB304,000 to the Group (for the year ended 31 December 2016: Nil).

The Group's other unallocated revenue contributed a total revenue of approximately RMB208,000 to the Group (for the year ended 31 December 2016: Nil).

Gross Profit and Gross Profit Margin

Gross profit of the Group for the reporting period was approximately RMB181.8 million, representing a decrease of about 48.9% as compared with RMB355.4 million for the year ended 31 December 2016.

During the reporting period, the gross profit margin decreased by around 12.8 percentage points over the same period of last year to about 22.8% (for the year ended 31 December 2016: 35.6%). 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 RMB125.7 million for the reporting period, representing a decrease of about 62.6% as compared with RMB335.9 million of the period ended 31 December 2016. Gross profit margin decreased to about 22.0%, representing a decrease of about 25.0 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 RMB31.8 million (for the year ended 31 December 2016: RMB4.1 million).

The gross profit for operation of online platform for the reporting period was about RMB18.7 million (for the year ended 31 December 2016: RMB4.8 million).

The gross profit for trading of commodities for the reporting period was about RMB5.0 million (for the year ended 31 December 2016: RMB10.6 million) and the gross profit margin was about 2.9% (for the year ended 31 December 2016: 3.8%).

The gross profit for properties holding for the reporting period was about RMB304,000 (for the year ended 31 December 2016: Nil).

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 RMB227.1 million for the reporting period, representing a decrease of about 31.1% as compared with RMB329.5 million for the year ended 31 December 2016. The selling and distribution expenses accounted for about 28.6% of the revenue during the reporting period (for the year ended 31 December 2016: 33.0%), among which, advertising and promotion expenses, as a percentage of revenue, decreased from 23.4% for the year ended 31 December 2016 to about 20.3% for the year ended 31 December 2017, representing a decrease of about 3.1 percentage points. The transportation expenses and other expenses, as a percentage of revenue, decreased about 1.3 percentage points to about 8.3% for the reporting period as compared with the same period of 2016 (for the year ended 31 December 2016: 9.6%).

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 RMB148.5 million for the reporting period (for the year ended 31 December 2016: RMB99.7 million), representing an increase of about 48.9% over the same period of last year. The administrative expenses increased mainly due to the raise of salary of administrative personnel of the Group, exchange difference arising from appreciation of Renminbi and increase in legal and professional fee during the period under review. Administrative expenses accounted for about 18.7% of the Group's revenue for the reporting period (for the year ended 31 December 2016: 10.0%).

Finance Costs

The Group had finance costs of approximately RMB3.2 million for the reporting period (for the year ended 31 December 2016: RMB0.6 million).

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 is 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. An impairment loss of goodwill of RMB29,300,000 was made during the year ended 31 December 2017, in which RMB5,565,000 is arisen from exchange translation (for the year ended 31 December 2016: impairment loss of goodwill of RMB20,000,000).

On 30 April 2015, the Group acquired 80% equity interests in Fujian Azalli Daily Chemicals Ltd. (福建愛潔麗日化有限公司) (the "**Acquired Company**"), a company established in the PRC and a former supplier of the Group, from an independent third party. The principal activity of the Acquired Company is manufacture of toothpaste products. Such acquisition was for expanding the oral care product line under children's personal care products category of the Group. The consideration for the acquisition amounted to RMB50,773,000, which was satisfied by cash, and the total identifiable net assets acquired less non-controlling interests amounted to RMB14,916,000. Accordingly, goodwill of RMB35,857,000 was 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 loss of goodwill of RMB7,000,000 was made during the year ended 31 December 2017 (for the year ended 31 December 2016: RMB2,000,000).

Disposal of subsidiaries

On 21 December 2016, Frog Prince (China) Daily Chemicals Co., Limited (青蛙王子(中國)日化有限公司 ("**Frog Prince (China)**")), a wholly-foreign-owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, Fujian Herun, 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 year ended 31 December 2017, loss attributable to equity holders of the Company amounted to approximately RMB170.7 million as compared with loss attributable to equity holders of the Company of RMB111.2 million for the year ended 31 December 2016. The net loss margin was about 21.5% as compared with 11.1% of net loss margin for the year ended 31 December 2016, with basic loss per share of approximately RMB15.5 cents (basic loss per share for the year ended 31 December 2016: RMB11.0 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. Furthermore, for the year ended 31 December 2017, the Group made provisions for impairment losses of property, plant and equipment and goodwill of RMB38.5 million and RMB36.3 million respectively (for the year ended 31 December 2016: Nil and RMB22.0 million respectively).

Capital Expenditure

For the year ended 31 December 2017, the Group's material capital expenditure amounted to approximately RMB257.3 million (for the year ended 31 December 2016: RMB7.4 million), mainly used for renovation of our plants, offices, and consolidation work of our plants, acquisition of new equipments, investment properties and properties for development.

Financial Resources and Liquidity

As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately RMB222.7 million (31 December 2016: RMB614.5 million). The current ratio was 1.8 (31 December 2016: 3.4). 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.

Trade and Bills Receivables

During the reporting period, the Group's trade and bills receivables were approximately RMB113.2 million (31 December 2016: approximately RMB134.1 million). The Group usually grants a credit period of 30 to 180 days to our customers. The decrease in trade and bills receivables for the reporting period was mainly due to the Deconsolidation of Fujian Herun comparing with that of the same period of 2016. For the year ended 31 December 2017, the Group did not make any further allowance for doubtful debt (2016: RMB4.8 million).

Loan and Interest Receivables

During the reporting period, the Group's loan and interest receivables were approximately RMB205.4 million (31 December 2016: RMB125.3 million). During the year, the Group had provided loans of approximately RMB348.0 million (2016: RMB116.1 million), with an average annual interest rate of approximately 15.8% (31 December 2016: 30.0%).

Trade and Bills Payables

During the reporting period, trade and bills payables were approximately RMB71.5 million (31 December 2016: approximately RMB93.7 million). The decrease in trade and bills payables was mainly due to the Deconsolidation of Fujian Herun. The Group settled its payables within one to six months in general and kept good payment records.

Inventories

During the reporting period, inventories of the Group were approximately RMB32.0 million (31 December 2016: approximately RMB30.9 million. As at 31 December 2017, the inventory balance increased by about 3.6% over the same period of 2016.

Gearing Ratio

As at 31 December 2017, current assets of the Group were approximately RMB703.0 million, total assets were approximately RMB1,731.6 million, current liabilities were approximately RMB397.3 million and total liabilities were approximately RMB416.0 million. The gearing ratio (total liabilities/total assets) of the Group was approximately 24.0% (31 December 2016: 20.0%).

Bank and Other Borrowings

As at 31 December 2017, the Group had bank borrowing of RMB115.0 million (31 December 2016: RMB110.9 million). Facilities were made by the Group with banks for PRC borrowings with a pledged bank deposit in the PRC.

As at 31 December 2017, the Group had other unsecured borrowings of RMB50.0 million (31 December 2016: Nil).

Pledge of Assets

As at 31 December 2017, the Group had pledged deposits of RMB127.1 million (31 December 2016: RMB124.9 million) for short-term bank borrowings and bills payable.

Capital Structure

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

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 31 December 2017, the Group had no material contingent liabilities.

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 business by introducing sale teams with extensive experiences in the industry, so as to build up its competitiveness. The business model will include (1) procurement and distribution, i.e. sale of electronic products and other electronic components procured from domestic and overseas suppliers to domestic electronic product distributors and retailers through our own developed system; and (2) establishment of trade platforms, i.e. providing trade platforms for medium and small sized domestic electronic product distributors and retailers for commissions. 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 year, 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 economy outlook, the Group will operate and expand the business in a cautious and risk-balanced manner to maintain a balanced portfolio.

The Group will 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 31 December 2017, the Group employed 999 employees (as at 31 December 2016: 1,254 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 labor and social welfare laws and regulations, constituent companies of the Group established in Mainland China are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance.

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

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 2017.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend to the Shareholders for the year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's three independent non-executive Directors, has reviewed the consolidated financial statements of the Group for the year ended 31 December 2017, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters with the auditor of the Company.

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 year ended 31 December 2017, 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.

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.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2017 which would materially affect the Group's operating and financial performance as of the date of this announcement.

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, CCTH CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.princefrog.com.cn) and the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The Company's annual report for the year ended 31 December 2017, containing all the information required by the Listing Rules, will be despatched to the Shareholders and available on the above websites in due course.

By Order of the Board
China Child Care Corporation Limited
Tsai Wallen
Chairman and Chief Executive Officer

Hong Kong, 28 March 2018

As at the date of this announcement, the Board comprises (i) three executive directors, namely Mr. Tsai Wallen, Mr. Huang Xinwen and Mr. Ma Chi Ming; (ii) two non-executive directors, namely Mr. Li Zhouxin and Mr. Ren Yunan; and (iii) three independent non-executive directors, namely Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen and Ms. Bu Yanan.