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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)

MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF 45% EQUITY INTEREST IN A SUBSIDIARY

THE SHARE TRANSFER AGREEMENT

The Board is pleased to announce that on 5 May 2017, Frog Prince (China) as vendor, and the Purchaser entered into the Share Transfer Agreement, pursuant to which Frog Prince (China) has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares (i.e. 45% equity interest in Fujian Herun) for the Consideration of RMB100.0 million.

LISTING RULES IMPLICATIONS

The Disposal, on a standalone basis or when aggregated with the Capital Increase pursuant to Rule 14.22 of the Listing Rules, constitutes a major transaction of the Company under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but is below 75%. Accordingly, the Disposal is subject to the reporting and announcement requirements and the Shareholders' approval, by way of poll, at the EGM under the Listing Rules.

As at the date of this announcement, the Purchaser owns 25% of the equity interest in Fujian Herun. Accordingly, the Purchaser is a substantial shareholder of Fujian Herun and is therefore a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that (i) the Board has approved the Share Transfer Agreement and the transactions contemplated thereunder; and (ii) the independent non-executive Directors have confirmed that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Share Transfer Agreement are exempted from the independent financial advice requirement under Rule 14A.101 of the Listing Rules.

GENERAL

The Purchaser and its associates, who have material interest in the Share Transfer Agreement and the transactions contemplated thereunder, are required to abstain from voting at the EGM on the resolution(s) to approve the above matters. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shares are held by the Purchaser and its associates. As such, no Shareholders are required to abstain from voting on the resolution approving the Share Transfer Agreement and the transactions contemplated thereunder at the EGM.

In connection with the EGM, the Company will prepare a circular containing, among other things, further details of the Share Transfer Agreement and the transactions contemplated thereunder, the notice of EGM and other information as required under the Listing Rules. The circular is expected to be despatched to the Shareholders on or before 2 June 2017.

Completion is subject to the satisfaction of the conditions precedent set out in the Share Transfer Agreement and therefore may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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The principal terms of the Share Transfer Agreement are summarised as follows:

Date: 5 May 2017

Parties:

- (i) Frog Prince (China), an indirect wholly-owned subsidiary of the Company; and
- (ii) the Purchaser.

Frog Prince (China) is an indirect wholly-owned subsidiary of the Company, which principally engages in the design, manufacture and sales of children's personal care products in the PRC. Frog Prince (China) is the immediate holding company of 75% equity interest in Fujian Herun as at the date of this announcement.

The Purchaser is a company established in the PRC with limited liability. As at the date of this announcement, the Purchaser owns 25% of the equity interest in Fujian Herun. Accordingly, the Purchaser is a substantial shareholder of Fujian Herun and is therefore a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules.

Fujian Herun is an indirect non-wholly owned subsidiary of the Company as at the date of this announcement, which is currently owned as to 75% by Frog Prince (China) and 25% by the Purchaser.

Subject matters

Pursuant to the Share Transfer Agreement, Frog Prince (China) has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, representing 45% of the equity interest in Fujian Herun.

Upon Completion, Fujian Herun will be held as to 30% and 70% by Frog Prince (China) and the Purchaser, respectively and Fujian Herun will cease to be a subsidiary of the Company.

Upon completion of reporting and filings with the relevant Administration of Industry and Commerce in respect of the Disposal, the profit or loss attributable to Fujian Herun shall be attributable to Frog Prince (China) and the Purchaser as to 30% and 70%, respectively, in accordance with the articles of association of Fujian Herun.

Further information on Fujian Herun is set out in the paragraph headed “Information on Fujian Herun” below in this announcement.

Consideration and settlement terms

Pursuant to the Share Transfer Agreement, the Consideration in aggregate amount of RMB100.0 million shall be satisfied in the following manner:

- (1) as to RMB30.0 million to be satisfied by the Purchaser by cash to the bank account designated by Frog Prince (China) within 15 days after the date of the Share Transfer Agreement;
- (2) as to RMB40.0 million to be satisfied by the Purchaser by cash to the bank account designated by Frog Prince (China) within 15 days after the satisfaction of all conditions precedent to Completion as set out in the Share Transfer Agreement; and
- (3) as to RMB30.0 million to be satisfied by the Purchaser by cash to the bank account designated by Frog Prince (China) within 15 days after the date of completion of reporting and filings with the relevant Administration of Industry and Commerce in respect of the Disposal.

The Consideration has been arrived at after arm's length negotiations between Frog Prince (China) and the Purchaser after taking into account, among other things, (i) the historical financial performance and conditions of Fujian Herun; (ii) the future prospects of Fujian Herun; and (iii) the net asset value of Fujian Herun.

Conditions precedent

Completion shall be conditional upon fulfillment of the following conditions:

- (1) the Company having obtained the Shareholders' approval at the EGM in respect of the Share Transfer Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (2) all necessary approvals and consents from the relevant governmental and regulatory authorities required for the Disposal having been obtained in accordance with the applicable laws and regulations.

If any of the conditions above are not fulfilled on or before the Long Stop Date, the Share Transfer Agreement shall automatically terminate, provided however that the surviving provisions shall continue in force following the termination of the Share Transfer Agreement without any liability to any party. Frog Prince (China) shall return the monies already received to the Purchaser within 15 Business Days from the date of the termination of the Share Transfer Agreement.

Completion

Within 30 days after the fulfillment of all the above conditions precedent, Frog Prince (China) shall procure Fujian Herun to register with the relevant Administration of Industry and Commerce for the corresponding changes of equity holders of Fujian Herun, and shall obtain the new business license issued by the Administration of Industry and Commerce.

Undertakings

Pursuant to the Share Transfer Agreement, the Purchaser undertakes that, upon Completion:

- (i) the children's personal care products (including but not limited to baby washes and shampoos and moisturiser) sold by Fujian Herun shall be procured exclusively from Frog Prince (China), i.e, Frog Prince (China) is the exclusive supplier of children's personal care products of Fujian Herun. Fujian Herun shall not procure children's personal care products from any third parties without the written consent of Frog Prince (China);
- (ii) Fujian Herun can procure children's personal care products from Frog Prince (China) by way of commissioned production as well as purchase order. The terms of such procurements should be based on the commissioned production agreement or purchase order to be entered into by both parties; and

- (iii) any intellectual properties in relation to the brand name “Frog Prince” owned by Fujian Herun and its subsidiary shall continue to be freely used by the Group at nil consideration and that Fujian Herun and its subsidiary shall not dispose of or transfer any of such intellectual properties to any third parties without the prior written consent of Frog Prince (China).

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The Group is principally engaged in the design and provision of a broad range of children’s personal care products, including skin care products, body and hair care products and oral care products under our own brands in the PRC and operation of an online platform focusing on the children, babies and parents markets, money lending business, trading of commodities and investment in securities.

Frog Prince (China) is an indirect wholly-owned subsidiary of the Company, which principally engages in the design, manufacture and sales of children’s personal care products in the PRC. Frog Prince (China) is the immediate holding company of 75% equity interest in Fujian Herun as at the date of this announcement.

INFORMATION ON THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and holds 25% of the equity interest in Fujian Herun pursuant to the Capital Increase. The Purchaser is a PRC investment fund with a focus on the investment in supply chain management related businesses. The investment fund emphasises on creating investment returns through long-term strategic value-adding to its investment targets by utilising its industrial expertise and resources in the field of supply chain management. The investment fund is managed by Shanghai Wosheng Investment Management Co., Ltd. (“**Shanghai Wosheng**”) which was a wealth management platform established in 2012 by the Rong and Cheng Families. The funds of the Rong and Cheng Families have been actively involved in the reform and development of the finance and investment sectors of the PRC over the past 30 years, and have accumulated rich successful experience in Asia’s capital markets. Shanghai Wosheng is also a private equity manager registered with the Asset Management Association of China. The core members of the Purchaser’s investment committee include senior management members of Jiangsu High Hope Venture Capital Co., Ltd (“**Jiangsu High Hope Venture Capital**”), a subsidiary of Jiangsu High Hope International Group Corporation which principally engages in commodities import and export business, which deals with the distribution of apparels, fabrics, household textile products, boxes and bags, electromechanical products, paper pulp, paper, timber, chemical products, non-ferrous metal, equipment sets and cotton; property business, which includes property distribution and leasing services; industrial production, including clothing processing, as well as financial investment and contract purchasing and marketing businesses. Jiangsu High Hope Venture Capital is a state-owned investment agency founded in 2004 and has been operating venture capital business in this industry since very early stage in Jiangsu Province, mainly focusing on health care, logistics & supply chain, internet and e-commerce and innovative modern service industry etc. It is committed to investing on the growth enterprises with core technology and market prospects.

INFORMATION ON FUJIAN HERUN

Fujian Herun is an indirect non-wholly owned subsidiary of the Company as at the date of this announcement. Fujian Herun is currently owned as to 75% by Frog Prince (China) and 25% by the Purchaser. It was established in June 2016 for carrying out the Group's sales activities of children's personal care products through its distributorship network in the PRC (the "**Distributorship Sales Business**"), which were previously carried out by Frog Prince (China). Fujian Herun has a wholly-owned subsidiary, 福建省青蛙王子品牌管理有限公司 (Fujian Frog Prince Brand Management Co., Ltd.*), which holds the Group's intellectual properties, including the trademark of "Frog Prince".

Financial information on Fujian Herun

As Fujian Herun was established in June 2016 for carrying out the Group's Distributorship Sales Business, which were previously carried out by Frog Prince (China), Fujian Herun had no financial track records before its establishment.

The following table sets out are the unaudited financial information attributable to the Distributorship Sales Business currently carried out by Fujian Herun for the two years ended 31 December 2016:

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	495,647	750,399
Profit/(loss) before income tax	(75,589)	(73,991)
Profit/(loss) for the year	(75,589)	(73,991)

The unaudited net asset value of Fujian Herun as at 31 December 2016 was approximately RMB73.8 million.

FINANCIAL EFFECTS OF THE DISPOSAL

Following the Completion, the Group's interest in Fujian Herun will be reduced from 75% to 30%, Fujian Herun will cease to be a subsidiary of the Company and its financial results and positions will be de-consolidated from the Company's consolidated financial statements. Fujian Herun will become an associate of Frog Prince (China) and its financial results and positions attributable to the Group will be accounted for in the Company's consolidated financial statements using the equity method.

The Company expects that the Group will record an estimated gain of approximately RMB66.4 million on the Disposal taking into account the estimated net proceeds (after deduction of professional fees and other relevant expenses) of the Disposal of approximately RMB99.6 million and 45% of the net asset value of Fujian Herun as at 31 December 2016 of approximately RMB33.2

million. The actual amount of the gain or loss on the Disposal to be recognised in the consolidated financial statements of the Company will be based on the net asset value of Fujian Herun as at the date of completion of the Disposal and therefore may vary from the amount mentioned above.

REASONS FOR AND BENEFITS OF THE DISPOSAL

With the gradual slowdown in the PRC's economic growth, the change of consumption patterns of the PRC consumers has subdued market sentiment and brought new challenges to the Group's children's personal care products business. Hence, the Group's Distributorship Sales Business encountered the following difficulties: (i) the gradual decline in the revenue of the Group's Distributorship Sales Business; (ii) rebate policy and high marketing cost; and (iii) the decline in consumer brand loyalty, etc., which continued after the Capital Increase.

The Group has seen the combined loss making results in the recent financial years/periods partly due to the deteriorating operating result of the Group's Distributorship Sales Business. The Directors expect that the Disposal could materially reduce losses of the Group and optimise the Group's asset allocation in order to cope with the aforementioned unfavourable operating environment. The Directors believe that the Disposal would offload the loss-making Distributorship Sales Business and allow the Group to focus on the research and development in and manufacturing of children's personal care products with an aim to develop more high quality and new products to raise the competitiveness in the market. The net proceeds to be received by Frog Prince (China) from the Disposal will strengthen the overall cash position of the Group for general working capital as well as for future business development opportunities that may arise.

Based on the foregoing, the Directors (including the independent non-executive Directors) are of the view that the terms of the Share Transfer Agreement are on normal commercial terms and are fair and reasonable, and that the entering into of the Share Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Disposal, on a standalone basis or when aggregated with the Capital Increase pursuant to Rule 14.22 of the Listing Rules, constitutes a major transaction of the Company under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but is below 75%. Accordingly, the Disposal is subject to the reporting and announcement requirements and the Shareholders' approval, by way of poll, at the EGM under the Listing Rules.

As at the date of this announcement, the Purchaser owns 25% of the equity interest in Fujian Herun. Accordingly, the Purchaser is a substantial shareholder of Fujian Herun and is therefore a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that (i) the Board has approved the Share Transfer Agreement and the transactions contemplated thereunder; and (ii) the independent non-executive Directors have

confirmed that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Share Transfer Agreement are exempted from the independent financial advice requirement under Rule 14A.101 of the Listing Rules.

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The Purchaser and its associates, who have material interest in the Share Transfer Agreement and the transactions contemplated thereunder, are required to abstain from voting at the EGM on the resolution(s) to approve the above matters. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shares are held by the Purchaser and its associates. As such, no Shareholders are required to abstain from voting on the resolution approving the Share Transfer Agreement and the transactions contemplated thereunder at the EGM.

In connection with the EGM, the Company will prepare a circular containing, among other things, further details of the Share Transfer Agreement and the transactions contemplated thereunder, the notice of EGM and other information as required under the Listing Rules. The circular is expected to be despatched to the Shareholders on or before 2 June 2017.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday and public holiday in Hong Kong) on which banks in Hong Kong and the PRC are open for business
“Capital Increase”	the capital contribution made by the Purchaser into Fujian Herun pursuant to the capital increase agreement dated 21 December 2016 entered into between (i) Frog Prince (China); (ii) Fujian Herun; and (iii) the Purchaser, resulting in the Purchaser being interested in 25% of the equity interest in Fujian Herun, details of which were disclosed in the announcement of the Company dated 21 December 2016

“Company”	China Child Care Corporation Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 1259)
“Completion”	completion of the Share Transfer Agreement pursuant to the terms and conditions thereof
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration for the Sale Shares payable by the Purchaser to the Company pursuant to the Share Transfer Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the conditional disposal of the Sale Shares by the Group to the Purchaser pursuant to the Share Transfer Agreement
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving, among other things, the Share Transfer Agreement and the transactions contemplated thereunder
“Frog Prince (China)”	青蛙王子(中國)日化有限公司 (Frog Prince (China) Daily Chemicals Co., Ltd.*), a wholly-foreign-owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Fujian Herun”	福建和潤供應鏈管理有限公司 (Fujian Herun Supply Chain Management Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2017, or such other date as agreed by the parties to the Share Transfer Agreement in writing

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	深圳前海沃升資產管理中心(有限合夥) (Shenzhen Qianhai Wosheng Asset Management Centre (Limited Partnership)*), a limited partnership formed in the PRC, being the Purchaser of 45% equity interest in Fujian Herun pursuant to the Share Transfer Agreement. As the Purchaser owns 25% of the equity interest in Fujian Herun. Accordingly, the Purchaser is a substantial shareholder of Fujian Herun and is therefore a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules.
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	45% of the equity interest in Fujian Herun, which is directly owned by Frog Prince (China) as at the date of the Share Transfer Agreement
“Share (s)”	ordinary share (s) in the issued share capital of the Company
“Shareholder (s)”	holder (s) of the Share (s)
“Share Transfer Agreement”	the Share Transfer Agreement dated 5 May 2017 entered into between (i) Frog Prince (China); and (ii) the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

By order of the Board
China Child Care Corporation Limited
Tsai Wallen
Chairman

Hong Kong, 5 May 2017

As at the date of this announcement, the Board comprises (i) five executive Directors, namely Mr. Tsai Wallen, Mr. Ge Xiaohua, Mr. Huang Xinwen, Mr. Li Zhouxin and Mr. Ma Chi Ming; (ii) one non-executive Director, namely Mr. Ren Yunan; and (iii) three independent non-executive Directors, namely Ms. Chan Sze Man, Mr. Tsao Benedict and Mr. Ma Kwun Yung Stephen.

** for identification purposes only*