PRINCE FROG INTERNATIONAL HOLDINGS LIMITED
青蛙王子國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1259)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

Financial highlights for the year ended 31 December 2011

Revenue increased by 51.5% over the same period in 2010 to approximately RMB1,269.2 million.

Gross profit increased by 66.5% over the same period in 2010 to approximately RMB537.7 million.

Gross profit margin increased by 3.9 percentage points over the same period in 2010 to 42.4%.

Profit attributable to the equity holders of the Company for the year increased by 27.3% over the same period in 2010 to approximately RMB183.9 million.

Basic earnings per share attributable to the equity holders of the Company for the year increased by approximately 9.8% over the same period in 2010 to RMB21.2 cents.

The board of directors (the "**Board**") of Prince Frog International Holdings Limited ("**Prince Frog**" or the "**Company**") hereby is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2011, together with the comparative figures for the corresponding year in 2010, as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
REVENUE	4	**1,269,167**	837,991
Cost of sales		**(731,465)**	(515,052)
Gross profit		**537,702**	322,939
Other income and gains	4	**5,046**	992
Selling and distribution costs		**(240,259)**	(130,786)
Administrative expenses		**(79,353)**	(23,586)
Other operating expenses		**(272)**	(21)
Finance costs	5	**(4,398)**	(1,638)
PROFIT BEFORE TAX	6	**218,466**	167,900
Income tax expense	7	**(34,521)**	(23,431)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE YEAR		**183,945**	144,469
EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	9		
Basic		**RMB21.2 cents**	RMB19.3 cents
Diluted		**RMB21.2 cents**	RMB19.3 cents

Details of the dividends are disclosed in note 8 to the announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**183,945**	144,469
Other comprehensive income:		
Exchange differences on translating foreign operations	**889**	2,191
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE YEAR	**184,834**	146,660

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**142,517**	82,067
Prepaid land lease payments		**20,032**	20,466
Intangible assets		**5,943**	144
Prepayments and deposits		**2,839**	8,387
Total non-current assets		**171,331**	111,064
CURRENT ASSETS			
Inventories		**74,518**	34,737
Trade and bills receivables	10	**92,999**	59,149
Amounts due from related parties		**7,691**	26,144
Prepayments, deposits and other receivables		**7,233**	3,731
Pledged deposits		**1,096**	2,350
Cash and cash equivalents		**735,597**	72,299
Total current assets		**919,134**	198,410
CURRENT LIABILITIES			
Trade and bills payables	11	**80,595**	33,894
Other payables and accruals		**24,570**	17,211
Interest-bearing bank borrowings		**30,000**	—
Amounts due to related parties		**—**	89,565
Tax payable		**6,948**	7,349
Total current liabilities		**142,113**	148,019
NET CURRENT ASSETS		**777,021**	50,391
TOTAL ASSETS LESS CURRENT LIABILITIES		**948,352**	161,455
NON-CURRENT LIABILITY			
Interest-bearing bank borrowing		**—**	15,800
Total non-current liability		**—**	15,800
Net assets		**948,352**	145,655

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**8,368**	11
Reserves	**939,984**	145,644
Total equity	**948,352**	145,655

Notes:

1. CORPORATE INFORMATION AND GROUP REORGANISATION

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

Pursuant to the group reorganisation (the "**Reorganisation**") to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the companies now comprising the Group on 22 February 2011. The shares of the Company were listed on the Main Board of the Stock Exchange on 15 July 2011 (the "**Listing Date**"). Details of the Reorganisation were set out in the prospectus of the Company dated 30 June 2011 (the "**Prospectus**").

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 and household hygiene products. There were no significant changes in the nature of the Group's principal activities during the year.

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

The consolidated financial statements have been prepared on a combined basis by applying the principles of merger accounting as the Reorganisation involved business combination of entities under common control and the Group is regarded and accounted for as a continuing group. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial periods presented rather than from the date of their acquisition. Accordingly, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 December 2010 and 2011 include the financial information of the Company and its subsidiaries with effect from 1 January 2010 or since their respective dates of incorporation, whichever is shorter. The consolidated statement of financial position of the Group as at 31 December 2010 has been prepared to present the state of affairs of the Group as if the current group structure had been in existence at that date or since the respective dates of acquisition or incorporation/establishment, whichever is the shorter period, of the subsidiaries of the Company. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IAS 1 included in *Improvements to IFRSs* 2010, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IAS 24 (Revised) *Related Party Disclosures*

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendment most applicable to the Group are as follows:

IAS 1 Presentation of Financial Statements: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

3. OPERATING SEGMENT INFORMATION

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

(a) the children's personal care products segment manufactures and trades Frog Prince branded skin care, body and hair care, oral care and diaper products;

(b) the household hygiene products segment manufactures and trades Shuangfeijian branded insecticide products and Shenhuxi branded air freshener;

(c) the adults' personal care products segment manufactures and trades Frog Prince branded oral care products and other skin care products; and

(d) the other products segment comprises, principally, the manufacture of skin care products, body and hair care products for branding and resale by others.

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

Segment assets exclude property, plant and equipment except for plant and machinery, prepaid land lease payments, prepayments, deposits and other receivables, amounts due from related parties, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude other payables and accruals, interest-bearing bank borrowings, amounts due to related parties and tax payable as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION (continued)

	Children's personal care products *RMB'000*	Household hygiene products *RMB'000*	Adults' personal care products *RMB'000*	Other products *RMB'000*	Total *RMB'000*
Year ended 31 December 2011					
Segment revenue:					
Sales to external customers	**917,597**	**183,045**	**50,195**	**118,330**	**1,269,167**
Segment results	**358,360**	**46,432**	**8,121**	**21,211**	**434,124**
Interest income					**3,265**
Other unallocated gains					**1,781**
Corporate and other unallocated expenses					**(216,306)**
Finance costs					**(4,398)**
Profit before tax					**218,466**
Segment assets	**155,601**	**30,899**	**6,237**	**13,653**	**206,390**
Reconciliation:					
Corporate and other unallocated assets					**884,075**
Total assets					**1,090,465**
Segment liabilities	**49,632**	**17,079**	**2,235**	**11,649**	**80,595**
Reconciliation:					
Corporate and other unallocated liabilities					**61,518**
Total liabilities					**142,113**
Other segment information:					
Depreciation and amortisation*	**2,478**	**97**	**82**	**58**	**2,715**
Capital expenditure**	**36,104**	**1,814**	**806**	**1,270**	**39,994**

3. OPERATING SEGMENT INFORMATION (continued)

	Children's personal care products *RMB'000*	Household hygiene products *RMB'000*	Adults' personal care products *RMB'000*	Other products *RMB'000*	Total *RMB'000*
Year ended 31 December 2010					
Segment revenue:					
Sales to external customers	535,651	180,039	45,680	76,621	837,991
Segment results	208,024	41,083	17,333	16,577	283,017
Interest income					119
Other unallocated gains					873
Corporate and other unallocated expenses					(114,471)
Finance costs					(1,638)
Profit before tax					167,900
Segments assets	61,701	26,713	4,849	11,591	104,854
Reconciliation:					
Corporate and other unallocated assets					204,620
Total assets					309,474
Segment liabilities	17,159	8,725	722	7,288	33,894
Reconciliation:					
Corporate and other unallocated liabilities					129,925
Total liabilities					163,819
Other segment information:					
Depreciation and amortisation*	1,487	482	118	583	2,670
Capital expenditure**	2,436	454	116	509	3,515

* Depreciation and amortisation consists of depreciation of plant and machinery and amortisation of intangible assets.

** Capital expenditure consists of additions to plant and machinery and intangible assets.

Geographical information

Since over 90% of the Group's revenue was generated from the sale of personal care and household hygiene products in Mainland China and over 90% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the years ended 31 December 2011 and 2010, therefore no information about major customers is presented.

4. REVENUE, OTHER INCOME AND GAINS

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**1,269,167**	837,991
Other income and gains		
Bank interest income	**3,265**	119
Government subsidies*	**203**	67
Dividend income from available-for-sale investments	**—**	98
Net fair value gains on foreign exchange derivative financial instruments — transactions not qualified as hedges	**1,246**	—
Gain on disposal of intangible assets	**—**	343
Others	**332**	365
	5,046	992
	1,274,213	838,983

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

5. FINANCE COSTS

	Group	
	2011	2010
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**4,398**	1,638

6. PROFIT BEFORE TAX

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Cost of inventories sold	**731,465**	515,052
Depreciation	**5,953**	1,516
Amortisation of prepaid land lease payments	**434**	795
Amortisation of intangible assets	**1,321**	359

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2010: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2011	2010
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**34,521**	23,431

8. DIVIDEND

	Group	
	2011	2010
	RMB'000	*RMB'000*
Proposed final — HK4.5 cents (approximately RMB3.6 cents) (2010: Nil) per ordinary share	**36,782**	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of RMB183,945,000 (2010: RMB144,469,000) and the weighted average number of ordinary shares of 869,670,548 (2010: 750,000,000) deemed to have been in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the year ended 31 December 2010 includes the pro forma issued share capital of the Company of 750,000,000 shares, comprising 100 issued ordinary shares of the Company upon incorporation, 445,100 issued ordinary shares of the Company pursuant to the acquisition of Prince Frog Investment Limited, 554,800 issued ordinary shares of the Company pursuant to share swap, 1 issued ordinary share of the Company pursuant to the capitalisation of pre-IPO investors fund and the capitalisation issue of 748,999,999 ordinary shares of the Company.

The weighted average number of ordinary shares of 869,670,548 used to calculate the basic earnings per share amounts for the year ended 31 December 2011 includes the weighted average of:

(i) the 250,000,000 ordinary shares issued upon the listing of the Company's ordinary shares on the Stock Exchange on 15 July 2011;

(ii) the 8,250,000 ordinary shares issued upon the exercise of the over-allotment option on 11 August 2011; and

(iii) the aforementioned pro-forma issued share capital of the Company of 750,000,000 shares.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2011 as the share options in issue during the year has no dilutive effect.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2010 as the Group has no potentially diluted ordinary shares in issue and therefore no diluting events existed throughout that year.

10. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**92,999**	58,949
Bills receivable	**—**	200
	92,999	59,149

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

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills 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 and bills 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:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Within 30 days	**74,682**	48,836
31 to 60 days	**17,233**	10,052
61 to 90 days	**767**	61
91 to 180 days	**317**	200
	92,999	59,149

11. 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:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**75,273**	28,111
1 to 3 months	**4,901**	4,575
3 to 6 months	**421**	1,170
Over 6 months	**—**	38
	80,595	33,894

The trade and bills payables are non-interest-bearing and are normally settled on one to six months' terms. The bills payable were secured by the pledge of certain of the Group's time deposits amounting to RMB421,000 and RMB1,780,000 as at 31 December 2011 and 2010, respectively.

12. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Construction of buildings	**67,370**	77,362
Purchase of items of plant and machinery	**2,782**	6,790
	70,152	84,152
Contracted for commitment in respect of investment in a wholly-foreign-owned subsidiary in the PRC	**94,514**	—
	164,666	84,152

Management Discussion and Analysis

The Company's listing in Hong Kong in July 2011 marked an important milestone in its 17 years of development and turned a new page in the Company's history. In 2011, the Company leapfrogged into a new cycle of high growth and received a number of awards:

- Prince Frog received the "2011 Jingzheng Golden Service Award in the Pregnancy, Babies and Children Product Category";
- The Company's children's personal care products were selected as the official gift in the 2011 China Light Industry Gifts Show;
- The Company's children's personal care products received the "Most Popular Products Award" in the 2011 China Light Industry Gifts Show;
- The Company's children's personal care products received the "Innovative Technology Award" in the 2011 China Light Industry Gifts Show;
- The Frog Prince brand of products passed the tests of an authoritative inspection institute in China and were displayed at the "Well-known Brands of Products with stable quality in Compliance with National Supervision and Inspection Standards" exhibitions;
- The Frog Prince brand was named one of the 2011-2013 Prioritized International Brands for Cultivation and Development in Fujian Province; and
- The animation of "Frog Prince — Croaking Expedition" was named one of the Outstanding Domestic Animation Series in 2010 by The State Administration of Radio, Film and Television.

Business Review

For the year ended 31 December 2011, the Group recorded a revenue of approximately RMB1,269.2 million, representing a growth of 51.5% over the RMB838.0 million for the corresponding period in 2010. Gross profit margin increased by 3.9 percentage points to 42.4% as compared to the 38.5% in 2010. Profit attributable to the equity holders of the Company grew by 27.3% to approximately RMB183.9 million (RMB144.5 million for the year ended 31 December 2010). Revenue of children's personal care products under the Frog Prince brand recorded speedy growth of 71.3% over the same period in 2010, mainly attributable to our profound understanding of consumers' needs, our wide variety of children's personal care products, penetration into new markets and introduction of new products. As development of China's economy accelerated, domestic consumption had obviously become an important driving force of economic growth. The Company benefited from the further increase in people's disposable income, as well as the change in the spending patterns of Chinese families, the implementation of the one-child policy and the latest baby boom. Moreover, the first phase of the Group's new industrial park commenced operations in May 2011, increasing the production capacity of moisturizing lotion, and bath and shampoo products by 3 and 6 times respectively. The released production capacity will further promote the growth of the Frog Prince brand of products. As set out in the Prospectus, Phase II of the new industrial park will be used as an office building and a production base for oral care products. The initial geological exploration of Phase II has been completed with the construction plan pending approval. The Phase II construction project is expected to commence in the third quarter of 2012 and to be completed for production in the third quarter of 2013. To meet production and operation needs, Phase III of the new industrial park, which was planned for the manufacturing of baby diapers, training pants and wet wipes, will instead be developed into a warehousing and logistics centre as well as a staff accommodation building. The production base for baby diapers, training pants and wet wipes will be established on another site of the Company with an expected annual capacity of 500 million pieces each in 2013. The total capital expenditure for Phase II, Phase III and the new plant for paper products will remain unchanged.

Sales Network

Through distributors, the Group sells its products at points of sale such as supermarkets and convenience stores in different provinces, autonomous regions and municipalities across China. In response to the shifting landscape of the end markets in the retail industry, the Group leveraged its leading market position and strong brand image in second, third and fourth-tier markets to actively expand into first-tier markets. The Frog Prince brand of personal care products are now sold in major supermarket chains in Beijing, Shanghai and Shenzhen. The Group believes that revenue contribution from major supermarket chains as a percentage of the total revenue will continue to grow.

During the year, the Group continued to enlarge and enhance its distribution network. The number of distributors increased from 160 in 2010 to 185 as of 31 December 2011. The Group continued to (i) optimize distributor effectiveness and replace those that are unable to cope with the Group's sales and distribution strategies; (ii) provide distributors with human resources support and training to enable their development of secondary distribution networks and points of sale; (iii) provide marketing and sales skills training and assist distributors in organizing marketing and promotion campaigns to boost revenue. The Group believes that expanding and strengthening the sales network in China will not only raise the brand awareness of the Group but also drive up its revenue and profit.

Brand Building

Building on a leading brand, the Group continued to strengthen the brand image of the Frog Prince brand in 2011.

The Group signed up one of Asia's most popular artists, Kelly Chen, as the spokesperson for the Company in December 2011 to lead the Frog Prince brand into a new era of development. Kelly is well-known for her commitment to charitable causes and her love of children, which matches well Frog Prince's brand positioning with its focus on specialized children's personal care products. Looking ahead, Prince Frog will leverage the advantage of Kelly as its spokesperson to launch a new advertising campaign through print, TV, billboard, the metro, automobile wraps, points of sale display and online media, as well as a series of marketing initiatives. We believe collaboration with such an influential artist will enable a big leap in Frog Prince's brand development.

In 2011, the Group also used the Frog Prince animation series and TV advertisements as promotion strategy. Following the successful launch of the second season of "The Frog Prince – Croaking Expedition" on CCTV Children's Channel and Jiangsu Satellite TV Animation Channel in 2010, the series was broadcast on 28 satellite TV channels all over the country during the summer holiday of 2011 and was very popular with children. Given the importance of the animation series as a means of brand promotion, the Group has commenced the production of the third season of The Frog Prince. It has engaged renowned animation production crews to produce the series and famous TV hosts to do the voice acting.

2012 is the Year of the Dragon and the Company will promote online sales to tap into the Dragon baby boom. Coupled with the existing physical sales network, the Group will further strengthen brand penetration and expand its sales channel. Meanwhile, the Group also plans to step up marketing efforts for its products on TV and online by placing advertisements on TV and in magazines targeting parents and making use of online sales platforms and parent and children exchange platforms. In addition, the Group will continue to launch in-store promotion and sales to increase the visibility of the brand.

The Group believes that increasing its brand awareness effectively and efficiently in China will help promote and distribute the Group's existing and new products.

Quality Control and Research and Development ("R&D")

The Group places great emphasis on product quality and safety. During the year, the entire portfolio of the Group's babies' and children's personal care products and household hygiene products not only complied with relevant national standards in China but also passed safety and compliance tests under the Cosmetics Directive in the European Union for cosmetics products. The Group has formed a dedicated team to carry out stringent quality control in procurement of raw materials and packaging materials. The Company has also imposed stringent internal control measures to strengthen communications between qualified supervisors and the production and sales departments to ensure that products are in compliance with the latest industrial standards.

To strengthen its R&D capability, the Group set up a new R&D centre in Shanghai equipped with top-notch testing facilities. Technical experts were also recruited to enhance the R&D capability for babies' and children's personal care products. The centre commenced operations in October 2011. Moreover, the Group will continue to increase investment in R&D and cultivate closer collaboration with universities in China. The Group has signed a product development agreement with South China University of Technology to optimize the preservatives formula which in turn will enhance product safety.

Social Responsibility

The Company proactively participates in charitable activities and carries out its corporate social responsibility. It sponsored a number of charity events such as art performances and singing contests. The "Frog Prince" fairy tale musical went on a charitable tour in Zhangzhou. The Company is well aware of the very close ties between enterprise and community forming as an integral whole. The macro-environment has direct impact on the development of the enterprise. For long term development, the Company will continue to carry out its social responsibility and provide care for the community. With the support of the local CPC Committee and City Government, the Company founded the "Frog Prince Youth Academy of Performing Arts" — the only youth arts training organization in Zhangzhou that has an affiliated media promotion platform to provide a stage to perform for children and young people with talent in the arts and a dream.

In 2011, the Company exclusively sponsored the charitable fairy tale musical, "Moon Fairy and the Duludidu Farm", performed by "Sister YueLiang" who is most liked by kids in China. The musical was staged in the National Centre for the Performing Arts in Beijing on 16 and 17 March 2012. The musical releases the imagination of children and tells about an adventure to the moon and the realization of dreams from the perspective of children. The musical applies stage settings and techniques such as large movable backdrops, exaggerated dolls, well-designed and humourous special effects and smooth interaction with the audience to create fascinating scenes and feature the theme "Hard work makes dreams come true". Free tickets were offered to various underprivileged groups — schools for migrant workers' children, representatives of prisoners' and migrant workers' children, children in welfare organizations, children suffering from burns and representatives of the orphans from earthquake stricken Yushu — so that they could experience the love and the power of dreams through the musical, sowing seeds of dream and hope in their disadvantaged life.

Use of Net Proceeds From the Company's Initial Public Offering

The Company was listed on the Main Board of the Stock Exchange on 15 July 2011. The net proceeds from the Company's issue of new shares after deducting underwriting commissions and related expenses amounted to approximately HK$646 million (approximately RMB536 million).

	Planned amount per Prospectus	**Actual net IPO proceeds**	**Amount utilised up to 31 December 2011**	**Balance as at 31 December 2011**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Strengthening the marketing and promotion, expanding and strengthening management of sales networks and channels	285.5	258.4	107.7	150.7
Expanding and enhancing production facilities and capacities	214.1	193.8	49.4	144.4
Expanding products offerings	107.1	96.9	0.4	96.5
Enhancing research and development capabilities	35.7	32.3	2.7	29.6
Working capital and other general corporate purposes	71.3	64.6	24.4	40.2
Total	713.7	646.0	184.6	461.4

Financial Review

For the year ended 31 December 2011, revenue of the Group significantly increased to approximately RMB1,269.2 million, representing a 51.5% increase from approximately RMB838.0 million for the year ended 31 December 2010. Revenue of children's personal care products for the year ended 31 December 2011 significantly increased by 71.3% to approximately RMB917.6 million (31 December 2010: RMB535.7 million). Revenue of household hygiene products for the year ended 31 December 2011 increased by 1.7% to approximately RMB183.0 million (31 December 2010: RMB180.0 million). Revenue of sales of other goods including OEM products increased by 37.8% to approximately RMB168.5 million this year (31 December 2010: RMB122.3 million). The growth was mainly due to (i) the expansion of the Group's distribution network, with the number of distributors increased to 185 as of 31 December 2011; and (ii) the increased brand recognition through animation series, commercials and in-store activities and new products.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2011 increased by 66.5% to RMB537.7 million (31 December 2010: RMB322.9 million). During the year under review, gross profit margin increased 3.9 percentage points to 42.4% compared to the previous year (31 December 2010: 38.5%).

Selling and Distribution Costs

Selling and distribution costs primarily represented advertising expenses, marketing and promotion expenses, transportation costs, sales staff costs and other selling and distribution expenses. Selling and distribution costs increased by 83.7% from RMB130.8 million for the year ended 31 December 2010 to approximately RMB240.3 million for the year ended 31 December 2011, which was primarily due to the Group's continuous efforts in enhancing brand awareness through marketing activities including television commercials and other promotional activities as well as increased investments in effecting talents. As a percentage of sales, selling and distribution costs accounted for 18.9% of the Group's revenue for the year ended 31 December 2011, a 3.3 percentage points increase as compared to 15.6% for the year ended 31 December 2010.

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages to our administrative staff, depreciation, other taxes and surcharges and other administrative expenses. For the year ended 31 December 2011, administrative expenses amounted to approximately RMB79.4 million (31 December 2010: RMB23.6 million). The increase in administrative expenses was mainly due to the professional expenses related to the listing of the Company's shares and the increase in salaries and staff welfare expenses. As a percentage of revenue, administrative expenses accounted for 6.3% of the Group's revenue for the year under review (31 December 2010: 2.8%).

Finance Costs

For the year ended 31 December 2011, finance costs increased to approximately RMB4.4 million from RMB1.6 million in 2010. This was mainly due to the increase in interest-bearing bank loan throughout the year and the increase in bank interest rate in China.

Net Profit and Net Profit Margin

For the year ended 31 December 2011, profit attributable to equity holders of the Company amounted to RMB183.9 million, representing an increase of 27.3% as compared to last year (31 December 2010: RMB144.5 million). During the year under review, net profit margin decreased by 2.7 percentage points to 14.5% (31 December 2010: 17.2%) with basic earnings per share being RMB21.2 cents (31 December 2010: RMB19.3 cents).

Capital Expenditure

For the year ended 31 December 2011, major capital expenditure of the Group amounted to RMB66.4 million, including that incurred in the construction of the first phase of the new plant at the new industrial park in Longwen Industrial Development Zone, Zhangzhou, Fujian Province.

Financial Resources and Liquidity

As at 31 December 2011, cash and cash equivalents as well as deposit of the Group amounted to RMB735.6 million (31 December 2010: RMB72.3 million). Current ratio was 6.5 (31 December 2010: 1.3) while gearing ratio (interest-bearing bank borrowings to equity) was 3.2% (31 December 2010: 10.8%).

Trade and Bills Receivables Turnover Days

During the year under review, trade and bills receivables turnover days came to 21.9 days, calculated as the average of the beginning and ending trade and bills receivables balances for the year divided by revenue for the year and multiplied by 365 days.

Trade and Bills Payable Turnover Days

During the year under review, trade and bills payable turnover days came to 28.6 days, calculated as the average of the beginning and ending trade and bills payable balances for the year divided by cost of sales for the year and multiplied by 365 days.

Inventory Turnover Days

During the year under review, inventory turnover days came to 27.3 days, calculated as the average of the beginning and ending inventories for the year divided by cost of sales for the year and multiplied by 365 days.

Bank Borrowings

As at 31 December 2011, short-term bank loans of the Group amounted to RMB30 million (31 December 2010: Nil). As at 31 December 2011, the Group had no long-term bank loans (31 December 2010: RMB15.8 million).

Risks of Foreign Exchange

As at 31 December 2011, the Group was not exposed to any major risks of foreign exchange fluctuations and new foreign exchange forward contracts have been signed to hedge against foreign exchange fluctuations.

Contingent Liabilites

As at 31 December 2011, the Group did not have any material contingent liabilities (31 December 2010: Nil).

Future Prospects

The Group will continue to leverage its branding to further expand its distributors' sales network. It will penetrate deeper into second, third and fourth-tier cities while setting its foothold in first-tier markets in order to strengthen its presence and promote its brand.

In response to the changing needs and spending patterns of consumers, the Group will expand its product portfolio and diversify its product strategy to enhance customer loyalty. The Group plans to launch a high quality and high end product line that targets international and major domestic supermarket chain customers. The Group will also step up the promotion of oral care products and widen the range of babies' personal care products. It will also strengthen marketing and sales of such products.

The Phases II & III of the Group's production plant will commence construction and are expected to come into operation in 2013. The Group believes that the expanded production area, the installation of advanced equipment and the establishment of new production lines will significantly increase the production capacity of skin care, bath and shampoo, and oral care products to meet the market demand.

2012 will be a year when Prince Frog sets off from a fresh starting point in the Company's history to achieve new heights. As a leading company in China in children's personal care product manufacturing, we are presented with enormous opportunities brought about by the fast expansion of China's domestic market. Also, the Group is looking for acquisition opportunities, which help the Company consolidate the advanced resources in child-care industry. We are committed to aiming higher, creating the best results and good returns for our shareholders with our mission and passion of being a leading manufacturer focused on children's personal care products.

Employees and Remuneration

As at 31 December 2011, the Group employed 1,314 employees (as at 31 December 2010: 1,123). In addition to the basic salaries, year-end bonuses may be offered to those staff members with outstanding performance. Members of the Group established in the PRC are also subject to social insurance contribution plans organised by the PRC government. In accordance with the relevant national and local labour and social welfare laws and regulations, members of the Group established in the PRC 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.

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

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 for the period from the Listing Date to 31 December 2011.

Final Dividend

The Directors recommended a final dividend of HK4.5 cents (approximately RMB3.6 cents) per ordinary share, representing a total of HK$45,371,000 (approximately RMB36,782,000), for the year ended 31 December 2011 subject to the approval of the shareholders at the Company's annual general meeting to be held on 23 May 2012 (the "**2012 AGM**"). The proposed final dividend is expected to be paid on 21 June 2012 to the Company's shareholders whose names appear on the Company's register of members on 1 June 2012.

Closure of Register of Members

The register of members of the Company will be closed from 21 May 2012 to 23 May 2012 (both days inclusive) for the purpose of determining the right to attend and vote at the 2012 AGM. In order to be entitled to attend and vote at the 2012 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office (i.e. Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration not later than 4:30 p.m. on 18 May 2012.

Besides, the register of members of the Company will also be closed from 30 May 2012 to 1 June 2012 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of the year ended 31 December 2011 (subject to the approval of the shareholders at the 2012 AGM). In order to be qualified for the proposed final dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office for registration not later than 4:30 p.m. on 29 May 2012.

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 Company for the year ended 31 December 2011, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.

Corporate Governance

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the period from the Listing Date to 31 December 2011, except for the following deviation:

Code provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Li Zhenhui ("**Mr. Li**") currently holds the offices of Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 16 years of experience in personal care products industry. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Li provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies and will not impair the balance of power and authority between the Board and the management of the Company.

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" (Appendix 10 to the Listing Rules, the "**Model Code**") as its code of conduct governing securities transactions by Directors. All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard set out in the Model Code for the period from the Listing Date to 31 December 2011.

Publication of Final Results And Annual Report

This results announcement is published on the websites of the Company (www.princefrog.com.cn) and the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2011, containing all the information required by the Listing Rules, will be dispatched to the shareholders and available on the above websites in due course.

By order of the Board
Prince Frog International Holdings Limited
Mr. Li Zhenhui
Chairman

Zhangzhou, PRC
28 March 2012

As at the date of this announcement, the Board of the Company comprises (i) five executive directors, namely Mr. Li Zhenhui, Mr. Xie Jinling, Mr. Ge Xiaohua, Mr. Huang Xinwen and Ms. Hong Fang; (ii) one non-executive director, namely Mr. Yang Feng; and (iii) three independent non-executive directors, namely Mr. Chen Shaojun, Mr. Ren Yunan and Mr. Wong Wai Ming.