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 2012

Financial highlights for the year ended 31 December 2012:

Revenue increased by about 23.9% over the same period in 2011 to approximately RMB1,572.1 million

Gross profit increased by about 34.2% over the same period in 2011 to approximately RMB721.6 million

Gross profit margin increased by around 3.5 percentage points over the same period in 2011 to approximately 45.9%

Profit attributable to the equity holders of the Company for the year increased by about 31.1% over the same period in 2011 to approximately RMB241.1 million

Basic earnings per share attributable to the equity holders of the Company for the year increased by about 12.7% over the same period in 2011 to approximately RMB23.9 cents

The board of directors (the "**Board**") of Prince Frog International Holdings Limited ("**Prince Frog**" or the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2012, together with the comparative figures for the year 2011, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
REVENUE	4	**1,572,054**	1,269,167
Cost of sales		**(850,498)**	(731,465)
Gross profit		**721,556**	537,702
Other income and gains	4	**12,711**	5,046
Selling and distribution expenses		**(357,973)**	(240,259)
Administrative expenses		**(76,333)**	(79,353)
Other operating expenses		**(425)**	(272)
Finance costs	5	**(902)**	(4,398)
PROFIT BEFORE TAX	6	**298,634**	218,466
Income tax expense	7	**(57,524)**	(34,521)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE YEAR		**241,110**	183,945
EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	9		
Basic		**RMB23.9 cents**	RMB21.2 cents
Diluted		**RMB23.9 cents**	RMB21.2 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012 *RMB'000*	2011 *RMB'000*
PROFIT FOR THE YEAR	**241,110**	183,945
Other comprehensive income:		
Exchange differences on translating foreign operations	**929**	889
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE YEAR	**242,039**	184,834

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	**2012**	2011
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**174,575**	142,517
Prepaid land lease payments		**19,598**	20,032
Intangible assets		**4,503**	5,943
Prepayments and deposits		**68,198**	2,839
Total non-current assets		**266,874**	171,331
CURRENT ASSETS			
Inventories		**42,837**	74,518
Trade receivables	10	**115,990**	92,999
Amount due from a related company		**9,915**	7,691
Prepayments, deposits and other receivables		**8,851**	7,233
Available-for-sale investments		**95,920**	—
Entrusted loan receivable		**80,000**	—
Pledged deposits		**1,148**	1,096
Cash and cash equivalents		**642,877**	735,597
Total current assets		**997,538**	919,134
CURRENT LIABILITIES			
Trade and bills payables	11	**65,158**	80,595
Other payables and accruals		**23,534**	24,570
Interest-bearing bank borrowings		**—**	30,000
Tax payable		**11,190**	6,948
Total current liabilities		**99,882**	142,113
NET CURRENT ASSETS		**897,656**	777,021

	Notes	**2012** *RMB'000*	2011 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,164,530**	948,352
NON-CURRENT LIABILITY			
Deferred tax liabilities		**4,900**	—
Net assets		**1,159,630**	948,352
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**8,366**	8,368
Reserves		**1,151,264**	939,984
Total equity		**1,159,630**	948,352

Notes:

1. CORPORATE INFORMATION

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 address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. During the year, the Company's principal place of business changed from No. 8 North Huancheng Road, Longwen Industrial Development Zone, Zhangzhou City, Fujian Province, the People's Republic of China (the "**PRC**") to No. 40 North Huancheng Road, Longwen Industrial Development Zone, Zhangzhou City, Fujian Province, the PRC, and changed from No. 40 North Huancheng Road, Longwen Industrial Development Zone, Zhangzhou City, Fujian Province, the PRC to No. 162 North Huancheng Road, Longwen Industrial Development Zone, Zhangzhou City, Fujian Province, the PRC due to district planning of local government. The principal place of business is not relocated, but only the street number was changed from 8 to 40 and then from 40 to 162.

1. CORPORATE INFORMATION *(CONTINUED)*

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 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(CONTINUED)*

Basis of consolidation *(Continued)*

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

The consolidated financial statements for the year ended 31 December 2011 have been prepared in accordance with the merger method of accounting on the basis as if the Company has always been the holding company of its subsidiaries because the Company and the companies then comprising the Group were under common control before and after the reorganisation, as explained in the prospectus of the Company dated 30 June 2011. Accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2011 include the results and cash flows of all companies then comprising the Group, as if the then group structure had been in existence throughout the year ended 31 December 2011, or since their respective dates of incorporation, where this is a shorter period.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

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

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 derived from bank, 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, an amount due from a related company, available-for-sale investments, an entrusted loan receivable, 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, tax payable and deferred tax liabilities 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 2012					
Segment revenue:					
Sales to external customers	**1,277,645**	**141,780**	**48,660**	**103,969**	**1,572,054**
Segment results	**500,843**	**32,204**	**5,997**	**26,245**	**565,289**
Interest income derived from banks					**6,523**
Other unallocated gains					**6,188**
Corporate and other unallocated expenses					**(278,464)**
Finance costs					**(902)**
Profit before tax					**298,634**
Segment assets	**169,855**	**112**	**4,257**	**30,586**	**204,810**
Reconciliation:					
Corporate and other unallocated assets					**1,059,602**
Total assets					**1,264,412**
Segment liabilities	**55,386**	**—**	**3,030**	**6,742**	**65,158**
Reconciliation:					
Corporate and other unallocated liabilities					**39,624**
Total liabilities					**104,782**
Other segment information:					
Depreciation and amortisation*	**4,994**	**16**	**52**	**327**	**5,389**
Capital expenditure**	**3,035**	**—**	**—**	**275**	**3,310**

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 derived from banks					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)*

* 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 sales 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 2012 and 2011, 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	
	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**1,572,054**	1,269,167
Other income and gains		
Interest income derived from banks	**6,523**	3,265
Net income derived from available-for-sale financial assets	**692**	—
Government subsidies*	**4,257**	203
Net fair value gains on foreign exchange derivative financial instruments - transactions not qualified as hedges	**418**	1,246
Others	**821**	332
	12,711	5,046
	1,584,765	1,274,213

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

5. FINANCE COSTS

	Group	
	2012	2011
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**902**	4,398

6. PROFIT BEFORE TAX

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Cost of inventories sold	**850,498**	731,465
Depreciation	**10,177**	5,953
Amortisation of prepaid land lease payments	**434**	434
Amortisation of intangible assets	**1,440**	1,321

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 (2011: 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	
	2012	2011
	RMB'000	*RMB'000*
Current - Mainland China		
Charge for the year	**49,881**	34,521
Underprovision in prior year	**2,743**	—
	52,624	34,521
Deferred	**4,900**	—
Total tax charge for the year	**57,524**	34,521

8. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Dividend paid during the year:		
Final in respect of the financial year ended 31 December 2011 - HK4.5 cents (approximately RMB3.7 cents) (2011: Nil) per ordinary share	**36,861**	—
Proposed final in respect of the financial year ended 31 December 2012 - HK6.0 cents (approximately RMB4.8 cents) (2011: HK4.5 cents (approximately RMB3.6 cents)) per ordinary share	**48,184**	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 amount is based on the profit for the year attributable to the equity holders of the Company of RMB241,110,000 (2011: RMB183,945,000) and the weighted average number of ordinary shares in issue during the year of 1,007,842,889 (2011: 869,670,548).

9. EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY *(CONTINUED)*

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

(i) 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 ordinary shares of the Company issued pursuant to the acquisition of Prince Frog Investment Limited, 554,800 ordinary shares of the Company issued pursuant to share swap, one ordinary share of the Company issued pursuant to the capitalisation of pre-IPO investors fund and the capitalisation issue of 748,999,999 ordinary shares of the Company;

(ii) the 250,000,000 ordinary shares issued upon the listing of the Company's ordinary shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 July 2011; and

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

The calculation of diluted earnings per share amount is based on the profit for the year attributable to the equity holders of the Company of RMB241,110,000. The weighted average number of ordinary shares of 1,010,875,485 used in the calculation is the weighted average number of ordinary shares of 1,007,842,889 in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares during the year of 3,032,596.

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 ended 31 December 2011 has no dilutive effect.

10. TRADE RECEIVABLES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**115,990**	92,999

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

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

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 30 days	**65,362**	74,682
31 to 60 days	**43,017**	17,233
61 to 90 days	**5,784**	767
91 to 180 days	**1,827**	317
	115,990	92,999

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	
	2012	2011
	RMB'000	*RMB'000*
Within 1 month	**37,300**	75,273
1 to 3 months	**27,858**	4,901
3 to 6 months	**—**	421
	65,158	80,595

The trade and bills payables are non-interest-bearing and are normally settled on one to six months' terms. The bills payables were secured by the pledge of certain of the Group's time deposits amounting to RMB1,148,000 and RMB421,000 as at 31 December 2012 and 2011, respectively.

12. COMMITMENTS

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Construction of buildings	**201,673**	67,370
Purchase of items of property, plant and equipment	**3,683**	2,782
	205,356	70,152
Contracted for commitment in respect of investment in a wholly-foreign-owned subsidiary in the PRC	**25,142**	94,514
	230,498	164,666

MANAGEMENT DISCUSSION AND ANALYSIS

During 2012, the Company continued to put into practice its 'Branding comes first' philosophy. Leveraging its leading market position in second, third and fourth-tier cities and its solid brand image, the Company actively opened up sales channels in first-tier cities and international chain supermarkets ("**K/A**") nationwide. In 2012, the Group achieved rapid growth in its operating results and was honoured with a number of industry awards and professional certifications:

- On 15 March 2012, the Company became a group member of China Quality Inspection Association.

- On 15 March 2012, the Company was awarded the title of "Excellent Model Enterprise for Trustworthy Quality in China" (全國質量誠信承諾優秀示範企業) by China Quality Inspection Association.

- On 19 April 2012, the Company passed the certification audit of "Cosmetics – Guidelines on Good Manufacturing Practices (2008)" of the United States Food and Drug Administration.

- On 19 April 2012, the Company passed the certification audit of "ISO22716: 2007(e) Cosmetics – Good Manufacturing Practices (GMP)".

- On 24 April 2012, the Company was awarded the "2012 Jingzheng Outstanding Contribution Award in the Pregnancy, Babies and Children Product Category" (2012京正•中國孕嬰童行業突出貢獻獎).

- On 4 May 2012, the Company's Chairman, Mr. Li Zhenhui, was elected vice president of the 17th China Beauty Expo.

- On 25 May 2012, the Company was awarded the title of "Top Ten Exemplary Brands in China's Mother and Child Care Products Industry" (中國母嬰用品護理行業十大標誌性品牌), jointly presented by China Association for Small & Medium Commercial Enterprises, China Economic and Cultural Development Association, Green Economy Research Institute of China Academy of Management Science, The Man In The Century Magazine and Organizing Committee of Promotion Activities for Enterprises with Industry-leading Brands in China.

- In June 2012, the Company became a vice-chair member of the Fujian Association of Health Care Products and Cosmetics.

- In August 2012, the Company was awarded the title of "Advanced Enterprise 2011 for Quality Management" (2011年度質量管理先進企業) by the Quality Supervision Bureau in Fujian.

- In September 2012, the Company was awarded the title of "Grade-A Enterprise for Entry-Exit Inspection and Quarantine Credit Management" (出入境檢驗檢疫信用管理A級企業) by the Xiamen Entry-Exit Inspection and Quarantine Bureau.

- On 11 December 2012, the Company was awarded the title of "World-renowned Brand to be Specially Fostered and Developed in Fujian 2011-2013" (2011-2013年度福建省重點培育和發展的國際知名品牌) by the Department of Foreign Trade & Economic Cooperation of Fujian.

- On 15 December 2012, the Company was awarded the title of "Best Dissemination and Innovation of Social Responsibility Ideas" (最佳社會責任理念傳播創新獎) at the 10th Anniversary of China Marketing Forum (中國營銷盛典) & Award Ceremony for Chinese Enterprise Marketing Innovation sponsored by the magazine Sales & Markets (《銷售與市場》).

- On 31 December 2012, the Frog Prince trademark was certified as a "Famous Trademark of China" (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the PRC.

Business Review

For the year ended 31 December 2012, the Group recorded revenue of approximately RMB1,572.1 million, representing a growth of about 23.9% over the corresponding period in 2011 (31 December 2011: approximately RMB1,269.2 million). Of which, revenue from children's personal care products amounted to approximately RMB1,277.6 million, representing an increase of about 39.2% over the corresponding period in 2011 (31 December 2011: approximately RMB917.6 million). For the year ended 31 December 2012, gross profit margin of the Group increased to about 45.9%, representing an increase of around 3.5 percentage points over the corresponding period in 2011 (31 December 2011: about 42.4%). Gross profit margin of children's personal care products was about 50.6%, representing an increase of around 1.6 percentage points over the corresponding period in 2011 (31 December 2011: about 49.0%). For the year ended 31 December 2012, the

Group recorded a net profit of approximately RMB241.1 million, representing an increase of about 31.1% over the corresponding period in 2011 (31 December 2011: approximately RMB183.9 million).

The rapid growth in the Group's results for 2012 was mainly attributable to the following reasons:

1. More efforts in brand promotion by way of spokesperson and animation marketing

Ms. Kelly Chen, one of Asia's most popular artists, has become the spokesperson of the Group since December 2011, ushering in a new era for brand promotion of Frog Prince. Frog Prince leveraged the fame of Ms. Kelly Chen as its spokesperson to launch a new advertising campaign through print, TV, lamp boxes, billy2t6an

2. Vigorous expansion of sales channels

In 2012, while tapping further into conventional sales channels, the Group also actively opened up new markets, continuously distributing products to supermarkets and convenience stores via distributors. Distributors of the Group increased to 197 from 185 as at the end of 2011, spreading across the country. The e-commerce channel was also covered. During 2012, the Group introduced its products into over 8,700 large and small supermarket stores in China, including international supermarket chains such as all Walmart stores nationwide, Carrefour, RT-MART, and CR Vanguard, which greatly enhanced the market share of the Frog Prince products. The Group believes that sales contributions from large supermarket chains will account for an increasing share of our total sales. In addition, the Group actively expanded the e-commerce sales channel, and launched the Wheat Germ Series of care products, available online only, in October 2012. As at the date of this announcement, products of the Group have been available for sale at Tmall (www.tmall.com), Jingdong (www.360buy.com), China dangdang Inc. (www.dangdang.com), Amazon, Yihaodian, which are mainstream e-commerce platforms in the PRC, and a variety of online marketing activities have been conducted.

3. Continuous launch of diverse promotion campaigns

During the year under review, the Group actively held diverse offline promotion campaigns and continuously staged different varieties of promotional events across the country, such as the large-scale offline promotion activities staged on 'June 1' International Children's Day in 59 cities nationwide under the theme of 'Children's hearts lighting up the city' (童心'慧'全城), and a series of in-store promotion activities launched during the 'Labour Day' holidays and the 'National Day' golden week including producing diverse stacking patterns of products, distribution of giveaways, promotional items and special offers. These promotions were held in different districts on an ongoing basis, effectively increasing the visibility of the Group's brand.

4. Internet marketing

In 2012, the Group started all-round online marketing and promotion via Internet communication platforms in seven modes, including weibo marketing, article marketing, knowledge marketing, Q&A marketing, search engine marketing, Internet media cooperation and information detection. Through online competition for 'Caring Mommy', large-scale online voting for 'A Future Nurtured in Dreams', test reports for trial use of products on the mother & baby vertical platform, and registration of three official weibos, we have set up two major online promotion platforms — a social networking service communication platform and a news communication platform in the form of news portal for mother & baby communities, thus starting up communication via social media conducting one-way communication with millions of Internet users as well as two-way interactive communication.

5. Launch of new maternal and baby brand 'ein.b'

In 2012, the Group continued to focus on personal care products for babies and children in its business and launch new products and product portfolios for babies and children into new markets in line with consumer demands. In July 2012, the Group launched a new brand 'ein.b' of high-end personal care products for pre-conception, in-pregnancy and postpartum mothers and 0-3-year-old babies. The launch of the 'ein.b' brand is the first step in implementing the Group's diversified business strategy of offering multi-brand personal care products for babies and children, which will enable the Group to feature a more complete brand mix and a more comprehensive product line.

Excellence in Quality Control

Product quality and safety control has always been our management focus. On 19 April 2012, the Group passed the certification audit of "Cosmetics – Guidelines on Good Manufacturing Practices (2008)" of the United States Food and Drug Administration and the "ISO22716:2007(e) Cosmetics – Good Manufacturing Practices (GMP)".

On 11 January 2013, the Group joined forces with China National Institute of Standardization to set up China's first "Standardization Research Base for Cosmetic Products for Chinese Children" in the new industrial park of Prince Frog. In future, the Group will aggressively carry out various standardization research with focus on promoting the standardization research of children's cosmetics and develop talents for standardization to strengthen our core competitiveness.

Social Responsibility

In mid-March 2012, the Company sponsored three charitable shows of the fairy tale musical, ‘Moon Fairy and the Duludidu Farm’, staged in the National Centre for the Performing Arts in Beijing, and invited students from schools for migrant workers’ children and children of the Sun Village to watch for free. The musical was written, directed and performed by hosts of famous CCTV children’s channels of China, aptly guiding the children to experience the theme of ‘Dreams are realized through one’s own efforts’.

On 26 May 2012, the Group, together with more than 30 entrepreneurs and representatives from different sectors, attended the event entitled ‘Tender Care for Children’ sponsored by the non-profit organization Blue Bird Seeds (青鳥種子) of China Charities Aid Foundation for Children, at which the ‘Love Convention for Half-Day Holiday on June 1’ was signed, promising and calling on more enterprises to give half-day leave on ‘June 1’ International Children’s Day to employees with children under 14 years old so that the parents may have a little more time to spend with their children and to care for them. Thanks to its role in promoting this event which is a social responsibility initiative, the Group received the 2012 Award for “Best Dissemination and Innovation of Social Responsibility Ideas” (最佳社會責任理念傳播創新獎) on 15 December 2012 at the 10th Anniversary of China Marketing Forum (中國營銷盛典) & Award Ceremony for Chinese Enterprise Marketing Innovation sponsored by the magazine Sales & Markets (《銷售與市場》).

In 2012, the public lecture ‘Are you loving in an appropriate way’, co-sponsored by the Group and the non-profit organization Blue Bird Seeds (青鳥種子) of China Charities Aid Foundation for Children was successfully presented in Shanghai, Wuhan, Xi’an and Beijing. The lecture brought together well known hosts of CCTV children’s channels and several children’s education experts to conduct a thoughtful discussion on parents’ ‘love’ for their children. By providing this platform, the Group hoped to stimulate reflection and discussion on children’s education among all members of the community. The topic drew heated discussion among the audience and the event was very well received by parents and teachers.

On 13 December 2012, the 2012 national 'Caring Mommy' online contest, co-sponsored by the Group and the non-profit organization Blue Bird Seeds (青鳥種子), officially kicked off. Ten candidates of 'Caring Mommy' elected through mass election and online voting competed with each other in the final held in Shanghai on 13 January 2013. The winner was named 'Caring Mommy' for the year and received a prize from the Prince Frog Love Fund. This event attracted more than 170,000 hits; 1,664 caring mothers from around the country enthusiastically signed up and over 80,000 Internet users participated in online voting. This event aimed to provide parents with a platform to share parenting tips and to spread more and better family education experience.

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 utilized up to 31 December 2012	Balance as at 31 December 2012
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Strengthening the marketing and promotion of products, expanding and strengthening management of sales networks and channels	285.5	258.4	254.7	3.7
Expanding and enhancing production facilities and capacities	214.1	193.8	175.6	18.2
Expanding product offerings	107.1	96.9	96.7	0.2
Enhancing research and development capabilities	35.7	32.3	8.6	23.7
Working capital and other general purposes	71.3	64.6	64.6	—
Total	713.7	646.0	600.2	45.8

Financial Review

For the year ended 31 December 2012, revenue of the Group amounted to approximately RMB1,572.1 million (31 December 2011: approximately RMB1,269.2 million), representing an increase of about 23.9% as compared with the same period last year. Revenue of children's personal care products for the year ended 31 December 2012 increased by about 39.2% to approximately RMB1,277.6 million (31 December 2011: approximately RMB917.6 million). The Group vigorously expanded its distribution network and accelerated its pace to establish presence in supermarkets and large-scale shopping mall and supermarket chains. Meanwhile, the Group further strengthened brand building through commercial advertisements and in-store promotion activities and optimized its product portfolio. Accordingly, the revenue of the Group recorded stable growth.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2012 increased by about 34.2% to approximately RMB721.6 million (31 December 2011: approximately RMB537.7 million) as compared with the same period last year. During the year under review, gross profit margin increased by around 3.5 percentage points to approximately 45.9% as compared to the previous year (31 December 2011: about 42.4%). It was mainly due to (1) revenue of the K/A series products with higher gross profit margin more than doubled from approximately RMB61 million for the same period of last year to approximately RMB204 million; (2) improved productivity of the Group's new industrial park in 2012 after the run-in period; and (3) decrease in prices of certain bulk raw materials.

Selling and Distribution Expenses

Selling and distribution expenses primarily represented advertising expenses, marketing and promotion expenses, transportation costs, sales staff costs and other small amount of selling expenses. Selling and distribution expenses of the Group increased by about 49.0% from approximately RMB240.3 million for the year ended 31 December 2011 to approximately RMB358.0 million for the year ended 31 December 2012, which was primarily due to the following measures taken by the Group: (1) strengthened the penetration to K/A channels, proactively set footprint in the first-tier and other large scale supermarket chains; (2) vigorously carried out brand promotion and enhanced brand awareness by continuously launching more hard advertisements, online and charitable events marketing; (3) launched diversified in-store promotion activities, and boosted the consumption of the end consumers by attaching lovely cartoon shape gifts. Selling and distribution expenses accounted for about 22.8% of the Group's revenue for the year ended 31 December 2012, with around 3.9 percentage points increase as compared to about 18.9% for the year ended 31 December 2011.

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages to our administrative staff, depreciation, share option expenses, taxes and other surcharges. For the year ended 31 December 2012, administrative expenses amounted to approximately RMB76.3 million (31 December 2011: approximately RMB79.4 million). The decrease in administrative expenses was mainly due to the absence of the one-off listing expenses incurred in 2011. However, additional administrative expenses were incurred in 2012, including staff's share option expenses and higher remuneration for middle and senior level management members. Administrative expenses accounted for about 4.9% of the Group's revenue for the year under review (31 December 2011: about 6.3%).

Finance Costs

For the year ended 31 December 2012, finance costs decreased significantly to approximately RMB0.9 million (31 December 2011: approximately RMB4.4 million), mainly due to decrease in interest on bank borrowings as we repaid all our bank borrowings during the year ended 31 December 2012.

Net Profit and Net Profit Margin

For the year ended 31 December 2012, profit attributable to the equity holders of the Company amounted to approximately RMB241.1 million, representing an increase of about 31.1% as compared to last year (31 December 2011: approximately RMB183.9 million). During the year under review, net profit margin increased by around 0.8 percentage points over the same period in last year to about 15.3% (31 December 2011: about 14.5%) with basic earnings per share being approximately RMB23.9 cents (31 December 2011: approximately RMB21.2 cents).

Capital Expenditure

For the year ended 31 December 2012, major capital expenditure of the Group amounted to approximately RMB42.6 million, including that incurred in the construction of the second and third phase of the new plant at the new industrial park in Longwen Industrial Development Zone, Zhangzhou City, Fujian Province.

Financial Resources and Liquidity

As at 31 December 2012, cash and cash equivalents and other wealth management products of the Group amounted to approximately RMB819.9 million (31 December 2011: approximately RMB736.7 million). Current ratio was around 10.0 (31 December 2011: around 6.5) while gearing ratio (interest-bearing bank borrowings to equity) was zero (31 December 2011: about 3.2%).

Trade Receivables' Turnover Days

During the year under review, trade receivables' turnover days came to around 24.3 days (31 December 2011: around 21.9 days), calculated as the average of the beginning and ending trade receivables balances for the year divided by revenue for the year and multiplied by 366 days. The slight increase as compared with the same period last year was mainly due to the longer payment days for direct sales and extension of credit period to certain distributors.

Trade and Bills Payables' Turnover Days

During the year under review, trade and bills payables' turnover days came to around 31.4 days (31 December 2011: around 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 366 days. The Group's bargaining power with suppliers was higher as the credibility of the Group was enhanced after the listing.

Inventories' Turnover Days

During the year under review, inventories' turnover days came to around 25.3 days (31 December 2011: around 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 366 days. The decrease in inventories' turnover days was due to enhanced inventory management of the Company.

Bank Borrowings

As at 31 December 2012, the Group had no bank borrowings (31 December 2011: approximately RMB30.0 million).

Risks of Foreign Exchange

As at 31 December 2012, 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 Liabilities

As at 31 December 2012, the Group did not have any material contingent liabilities (31 December 2011: Nil).

Future Prospects

Looking in the future, China has devoted itself to a shift in economic structure that promotes more growth from domestic consumption and investment rather than relying significantly on export. The national 12th Five Year Plan (2011-2015) clearly indicates that the government would address the evolving mode of economic development and focus on stimulating domestic demand by continued urbanization and a notable rise of personal disposable income, especially for the mid-to-low income population. All of the aforementioned changes will translate into greater opportunities for retailing and the fast moving consumer goods industry.

Since the implementation of the 'one-child' policy, there have been more and more one-child families in China, which resulted in such a family structure where there are four grandparents, two parents and one child in one family. As such, both the grandparents and parents are willing to splurge for the only child.

Parents perceive children's personal care products as a tool to show their love for their kids, therefore they are inclined to purchase relevant products with assured quality. Well-heeled parents prefer to buy expensive branded products for their children, and generally parents would rather reduce their own expenditure to spend on the children. In recent years, more and more Chinese consumers continue to increase spending on children's personal care products.

Meanwhile, Chinese authorities have relaxed the 'one-child' policy in some areas under certain circumstances. Accordingly, it is estimated that China might see another baby boom in the coming years, sustaining demand for children's personal care products.

In light of the potentially huge market demand for personal care products for babies and children, the Group will continue to focus on the development of this core business segment. The Group will continue to pursue its 'Branding comes first' philosophy, integrating its brand promotion plans to move ahead in transforming its sales channels, increasing market penetration and market share in first-tier cities while constantly consolidating and boosting market presence in second, third and fourth-tier cities. The Group will also synchronize online and offline marketing to generate synergy in an effort to reach niche markets via the e-commerce channel.

Further, the Group will gradually shift the positioning of babies' and children's personal care products from middle end to middle and high-end. This will be achieved through constant improvement of products, upgrading of packaging and design of outward appearance, in accordance with ever changing consumer demands and trends, different consumer preferences and consumption habits.

And furthermore, the Group will continue to make use of an animated cartoon culture as a differentiated marketing strategy, injecting into the brand different cultural connotations through animated cartoons and community activities to cultivate consumer identification with the brand and to enhance consumer loyalty.

The year 2013 will usher in great business opportunities brought about by rapid expansion of the domestic market. As a leader of babies' and children's personal care products sector in China, we are confident of the steady and healthy growth of our core business and our capability to create higher return for our shareholders.

EMPLOYEES AND REMUNERATION

As at 31 December 2012, the Group employed 1,406 employees (31 December 2011: 1,314). 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 were also subject to social insurance contribution plans required by the PRC government. In accordance with the relevant national and local labour and social welfare laws and regulations, 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.

In addition, the Group provides training to its employees to help them to master relevant skills.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company repurchased a total of 1,000,000 shares on the Stock Exchange during the year ended 31 December 2012. Such shares were cancelled on 16 July 2012.

Details of the share repurchase are summarized as follows:

Month of repurchase	Number of shares repurchased	Purchase price per share Highest	Purchase price per share Lowest	Aggregate consideration (excluding transaction cost)
		HK$	*HK$*	*HK$*
June 2012	1,000,000	2.78	2.60	2,710,510

Save as disclosed above, 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 2012.

FINAL DIVIDEND

The directors recommended a final dividend of HK6.0 cents (approximately RMB4.8 cents) per ordinary share, representing a total of approximately HK$60.5 million (approximately RMB48.2 million), for the year ended 31 December 2012 subject to the approval of the shareholders at the Company's annual general meeting to be held on 23 May 2013 (the "**2013 AGM**"). The proposed final dividend is expected to be paid on 18 June 2013 to the Company's shareholders whose names appear on the Company's register of members on 3 June 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 May 2013 to 23 May 2013 (both days inclusive) for the purpose of determining the right to attend and vote at the 2013 AGM. In order to be entitled to attend and vote at the 2013 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 20 May 2013.

Besides, the register of members of the Company will also be closed from 30 May 2013 to 3 June 2013 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of the year ended 31 December 2012 (subject to the approval of the shareholders at the 2013 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 2013.

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 2012, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the former Code on Corporate Governance Practices during the period from 1 January to 31 March 2012 and the new Corporate Governance Code during the period from 1 April to 31 December 2012 as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for the following deviations:

Code provision A.2.1

This code provision stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Mr. Li Zhenhui ("**Mr. Li**") currently holds the positions of Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 19 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 strategies and decisions. The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Code provision A.6.7

This code provision stipulates that independent non-executive directors and other non-executive directors should attend general meetings. The former non-executive director and one of the independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 23 May 2012 due to their unavoidable business engagement.

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 2012, 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
26 March 2013

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; and (ii) three independent non-executive directors, namely Mr. Chen Shaojun, Mr. Ren Yunan and Mr. Wong Wai Ming.