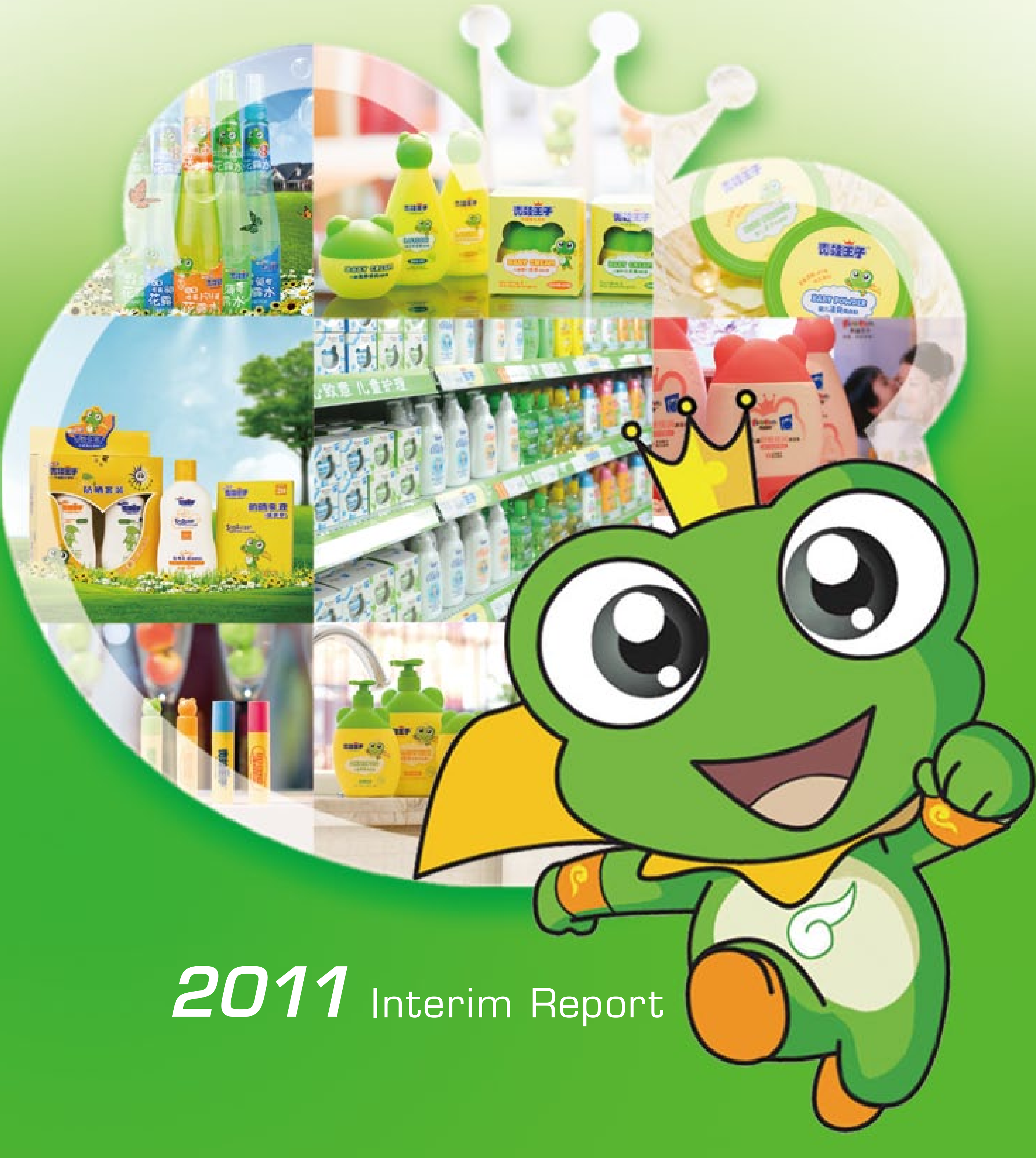
Prince Frog International Holdings Limited
青蛙王子國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1259



2011 Interim Report

Designed and Printed: RR Donnelley Roman Financial

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Corporate Information

Board of Directors

Executive Directors

Mr. Li Zhenhui *(Chairman & Chief Executive Officer)*
Mr. Xie Jinling
Mr. Ge Xiaohua
Mr. Huang Xinwen
Ms. Hong Fang

Non-executive Director

Mr. Yang Feng

Independent Non-executive Directors

Mr. Chen Shaojun
Mr. Ren Yunan
Mr. Wong Wai Ming

Joint Company Secretaries

Ms. Hong Fang
Ms. So Ka Man

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in the People's Republic of China

No. 8, North Huancheng Road
Longwen Industrial Development Zone
Zhangzhou, Fujian
The People's Republic of China

Principal Place of Business in Hong Kong

36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Board Committees

Audit Committee Members

Mr. Wong Wai Ming *(Chairman)*
Mr. Chen Shaojun
Mr. Ren Yunan

Nomination Committee Members

Mr. Ren Yunan *(Chairman)*
Mr. Chen Shaojun
Mr. Wong Wai Ming

Remuneration Committee Members

Mr. Li Zhenhui *(Chairman)*
Mr. Ren Yunan
Mr. Wong Wai Ming

Principal Banker

Agricultural Bank of China Limited, Zhangzhou Branch

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Auditors

Ernst & Young

Stock Code

1259

Company Website

www.princefrog.com.cn

Overview

Prince Frog International Holdings Limited (the "Company" or "Prince Frog") is a leading manufacturer and distributor of children's personal care products in Mainland China. The Frog Prince brand is well received by children with its image of health, energy and vibrancy, and is also recognized by parents for its high quality. The brand has become one of the leading domestic brands of children's personal care products in China. Leveraging on the success of the first season of the Company's Frog Prince animation series, the second season was launched and among the first batch of animations recommended by the State Administration of Radio, Film and Television.

As the economy is growing, Chinese consumers are more concerned about children's personal care products. Dedicated to producing this kind of products, the Company keeps improving its products and developing new ones that meet customers' requirements and market demand; increasing funds for research and development; strengthening collaborations with universities and research centres; stepping up advertisements on television, especially children channels, and other media such as newspapers, magazines and books; adopting unique, innovative marketing strategies and taking care of the development of Chinese children.

In addition to enhancing children's personal care products portfolio, the Company also provides baby care products, household hygiene products and adult's personal care products under its own brand names and manufacture OEM products.

Looking ahead, the Company will continue to leverage its leading position, brand recognition, established sales network, strong product development capability, high quality and increasing production capacity to capture the enormous opportunity in the emerging children care industry, developing itself into a top brand in China.

Management Discussion and Analysis

The board of directors of the Company (the “Board”) is pleased to report to the shareholders the interim report of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2011.

Initial Public Offering

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing”) on 15 July 2011 (the “Listing Date”), marking a major milestone in the development of the Group and the start of its successful venture into the international capital market. During the global offering, the Group raised approximately HK$671.5 million (including the partial exercise of the over-allotment option). The stock of Prince Frog was actively traded in its trading debut and receiving overwhelming response from the investors. A total of 132 million shares were traded on the day of Listing with an aggregate turnover of HK$335 million. All these positive signs show investor confidence in the future development of the Group despite the ongoing lacklustre sentiment in the global stock market.

Business Review

For the six months ended 30 June 2011, revenue generated by the Group’s business increased by 59.0% from RMB346.7 million for the six months ended 30 June 2010 to RMB551.3 million for the six months ended 30 June 2011. Profit attributable to equity holders increased by 71.2%, from RMB40.7 million for the six months ended 30 June 2010 to RMB69.6 million for the corresponding period in 2011. In particular, skin care products, bath and shampoo products under the Frog Prince brand had achieved rapid growth. Along with the rapid development of China’s economy, internal consumption became one of the key growth drivers. Benefitting from the increase in household disposable income, change in household spending concepts and impact of one-child policy, the Group has successfully captured the opportunities arising from the market and looked into consumer demand to enhance its children’s personal care product mix and expand its domestic market with focus in product quality and brand image. The Group currently has 173 distributors, through which products were distributed to different types of retail store including hypermarkets, mother and child specialty stores and convenience stores with a coverage of all provinces, autonomous regions and municipalities in China. With its leading market position in second, third and fourth-tier cities as well as its recognized brand image, the Group continued to launch new product lines to tap top-tier customers this year. Currently, Frog Prince-branded children’s personal care products are sold at major supermarket chains in certain first-tier cities including Shanghai and Guangzhou. It is expected that contributions from first-tier cities towards the total revenue of the Group will gradually climb up.

Sales Network

During the first half of 2011, the Group expanded its sales network and the number of distributors increased from 160 as at 31 December 2010 to 173 as of the date of this report. In addition, the Group has further strengthened its sales network through (i) providing distributors with resources and training to assist their expansion of sub-distribution networks as well as points of sale; and (ii) providing marketing skills training and assisting distributors in organizing promotion and marketing campaigns to promote sales. The Group believes that expanding and strengthening the sales network in China will not only maintain the Group’s leading position in the children’s personal care products market in China, but also driving up the Group’s revenue and profit.

Management Discussion and Analysis

Brand Building

To raise the Frog Prince brand's profile, the Group continued to promote with the Frog Prince animation series. The first season of the animation series was broadcast on 50 major local television channels from 2006 to 2008. The second season was firstly broadcast on CCTV Children Channel and Jiangsu Satellite TV Animation Channel in 2010 and is broadcasting on 28 satellite television channels in China during the summer in 2011. The Frog Prince — Croaking Expedition was awarded as one of the outstanding domestic animation series in 2010. Leveraging the success of the first two seasons, the Group will produce the third season later this year to further promote the brand. Meanwhile, the Group also plans to step up the marketing efforts for its products through television and other media, such as TV commercials on children channels and magazine advertisements, targeting parents. In addition, the Group will continue to raise awareness of its brand and promote its image through in-store marketing activities.

The Group believes that by efficiently making its brand highly recognized in China, it will better promote as well as distribute existing and new products.

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

The Group places great emphasis on quality and safety of its products. All of the Group's baby care and children's personal care products and household hygiene products were in compliance with the relevant national standards in China. In addition, the Group engaged Intertek in testing all of its baby and children's personal care products during its Listing and found that the products then submitted for testing passed the tests relating to certain key parameters for safety and compliance of cosmetic products under the Cosmetics Directive in the European Union for cosmetics products. The Group also set up a dedicated team to carry out stringent quality control in the procurement of raw materials and packaging materials.

As an effort to further enhance its R&D capability, the Group is in the process of setting up a new R&D centre in Shanghai with advanced testing equipment, and will employ technical experts to strengthen its R&D capability for baby and children's personal care products. The new R&D centre is under decoration and is expected to commence operations in September 2011. Furthermore, the Group plans to allocate more resources and funding to R&D as well as step up its collaboration with Chinese universities. For instance, the Group cooperated with South China University of Technology to develop new products and techniques for the improvement of product quality and innovation.

Management Discussion and Analysis

Future Prospects

As the first children's personal care product manufacturer in China listed in Hong Kong, the Group leverages the industry advantage and captures opportunities arising from the increasing spending power in China. The Group will further expand its distribution network as well as its presence beyond second, third and fourth-tier cities to first-tier cities. The Group also provides training and guidance related to products and sales capability to make sure distributors fit in with the Group's sales strategies and initiatives, and is setting up a R&D centre in Shanghai for children's personal care product to diversify its product mix and strengthen its brand image.

As part of the Group's response to changing consumer needs and enhancing customer loyalty, it will further expand its product portfolio to reduce reliance on certain products and the impact of seasonality. In addition, the Group will continue to develop high-end product lines that target high-end customers at local and international supermarket chains, step up its promotion of oral care products and expand its portfolio of baby and children's personal care products.

The first phase of construction of the Group's new plant was completed and operations commenced in May 2011. The construction of the second and third phases of the expansion plan has also commenced and is expected to be completed by 2013. The Group is confident that, after expanding its production area, installing advanced equipment and establishing new production lines, the annual output of skin care, bath and shampoo and oral care products will be significantly increased.

The Group will further enhance recognition of the Frog Prince brand through continuing the production of the Frog Prince animation series. With such, the Group will secure a place in the hearts of target customers, who are expected to link the animation series to the brand. Meanwhile, the Group will also carry out more promotions through television commercials, outdoor advertisements and advertisements on public transport and providing services for Chinese children to raise the quality of their lives, making the brand a leading one in children's personal care industry in Mainland China.

Financial Review

Revenue

For the six months ended 30 June 2011, revenue of the Group significantly increased to approximately RMB551.3 million, representing a 59.0% increase from approximately RMB346.7 million for the six months ended 30 June 2010. Revenue of children's personal care products for the six months ended 30 June 2011 significantly increased by 85.8% to approximately RMB306.9 million (six months ended 30 June 2010: RMB165.2 million). Revenue of household hygiene products for the six months ended 30 June 2011 increased by 15.8% to approximately RMB162.5 million (six months ended 30 June 2010: RMB140.3 million). Revenue of sales of other goods including OEM products increased by 99.0% to approximately RMB82.0 million (six months ended 30 June 2010: RMB41.2 million). The growth was mainly due to (i) the expansion of the Group's distribution network, with the number of distributors increased to 173 as of the date of this report; and (ii) the increased brand recognition through animation series, commercials and in-store activities and new products.

Management Discussion and Analysis

Gross profit and gross profit margin

Gross profit of the Group for the six months ended 30 June 2011 increased by 75.9% to approximately RMB222.2 million (six months ended 30 June 2010: RMB126.3 million). During the period under review, gross profit margin increased by 3.9 percentage points to 40.3% (six months ended 30 June 2010: 36.4%). The increase in gross profit margin was mainly due to: (i) focusing on selling higher margin products; and (ii) offset of increased raw material costs by increased selling price.

Selling and distribution costs

Selling and distribution costs primarily represented advertising expenses, marketing and promotion expenses, transportation costs, staff costs and other selling and distribution expenses. Selling and distribution costs increased by 40.6% from RMB70.2 million to approximately RMB98.7 million for the six months ended 30 June 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 a percentage of sales, selling and distribution costs accounted for 17.9% of the Group's revenue for the six months ended 30 June 2011, a 2.4 percentage point decrease as compared to 20.3% for the six months ended 30 June 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 six months ended 30 June 2011, administrative expenses amounted to approximately RMB33.3 million (six months ended 30 June 2010: RMB7.8 million). The increase of administrative expenses was mainly due to the expenses related to the Listing. As a percentage of revenue, administrative expenses accounted for 6.0% of the Group's revenue for the period under review (six months ended 30 June 2010: 2.2%).

Finance costs

For the six months ended 30 June 2011, finance costs increased to approximately RMB1.8 million from RMB0.4 million for the six months ended 30 June 2010. This was mainly due to the increase in interest-bearing bank loan throughout the period and the increase in bank interest rate in China.

Net profit and net profit margin

For the six months ended 30 June 2011, profit attributable to the equity holders of the Company amounted to approximately RMB69.6 million, representing a significant increase of 71.2% as compared to RMB40.7 million for the six months ended 30 June 2010. Net profit margin increased by 0.9 percentage point to 12.6% from 11.7% for the six months ended 30 June 2010. The increase in net profit margin was mainly due to the reasons as described above.

Management Discussion and Analysis

Capital expenditure

For the six months ended 30 June 2011, major capital expenditure of the Group amounted to approximately RMB29.9 million, mainly used for the construction of the first phase of the new plant of the Group located at the new industrial park in Longwen Industrial Development Zone, Zhangzhou City, Fujian Province, The People's Republic of China (the "PRC").

Financial resources and liquidity

As at 30 June 2011, cash and cash equivalents of the Group amounted to RMB172.4 million (as at 31 December 2010: RMB72.3 million). Current ratio was 1.7 (as at 31 December 2010: 1.3) while gearing ratio (total interest-bearing debt divided by equity) was 33.9% (as at 31 December 2010: 10.8%). The increase of gearing ratio is mainly due to the increased debt for the Group's construction of new plant.

Trade and bills receivable turnover days

Trade and bills receivable turnover days for the six months ended 30 June 2011 was 37 days (year ended 31 December 2010: 29 days), calculated as the average of the beginning and ending trade and bills receivable balances for the period/year divided by revenue for the period/year and multiplied by 180 days (365 days in the case of the year ended 31 December 2010). Trade and bills receivables turnover days has slightly increased but it was still within credit term of 30–60 days. The Group did not experience any substantial credit risk.

The substantial increase in the trade and bills receivables was mainly due to the following reasons: (i) the seasonal factor where June is the high season and December is the low season of the year; and (ii) the increase of the Group's revenue during the period. The Group considered such balances were normal and healthy.

Based on past experience, the Directors are of the opinion that no provision for impairment is necessary as at 30 June 2011 as there has not been a significant change in credit quality and all of the balances are considered fully recoverable.

Trade and bills payable turnover days

Trade and bills payable turnover days for the six months ended 30 June 2011 was 42 days (year ended 31 December 2010: 25 days), calculated as the average of the beginning and ending trade and bills payable balances for the period/year divided by cost of sales for the period/year and multiplied by 180 days (365 days in the case of the year ended 31 December 2010). In view of the peak season starting from July to September, the Group significantly increased purchases of raw materials and package materials to meet the expected increase in production. The Group settled payables normally in one to six months with good payment history.

Management Discussion and Analysis

Inventory turnover days

Inventory turnover days for the six months ended 30 June 2011 was 25 days (year ended 31 December 2010: 24 days), calculated as the average of the beginning and ending inventories for the period/year divided by cost of sales for the period/year and multiplied by 180 days (365 days in the case of the year ended 31 December 2010). The inventory turnover days remained stable.

Bank borrowings

As at 30 June 2011, short-term bank loans of the Group amounted to RMB87.4 million (31 December 2010: Nil). As at 30 June 2011, long-term bank loan of the Group amounted to RMB15.8 million (31 December 2010: RMB15.8 million). The increase in bank borrowings was to satisfy the fund needs arising from the construction of the Group's production facilities.

Risks of foreign exchange

As at 30 June 2011, the Group was not exposed to any major risks of foreign exchange fluctuations and new foreign exchange forward contracts have been signed during the current period.

Employees and Remuneration

As at 30 June 2011, the Group employed 1,576 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 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 provided trainings to its employees to help them to master relevant skills.

Dividend

The Directors do not recommend the payment of any interim dividend to shareholders of the Company for the six months ended 30 June 2011.

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of Prince Frog International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Prince Frog International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 12 to 75, which comprise the consolidated and company statements of financial position as at 30 June 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report (continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011, and of the Group's profit and cash flows for the six months period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw your attention to the fact that the corresponding figures set out in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related notes for the six months period ended 30 June 2010 have not been audited.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
30 August 2011

Consolidated Income Statement

Six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (Unaudited)
REVENUE	5	**551,324**	346,660
Cost of sales		**(329,104)**	(220,349)
Gross profit		**222,220**	126,311
Other income and gains	5	**497**	79
Selling and distribution costs		**(98,687)**	(70,201)
Administrative expenses		**(33,302)**	(7,753)
Other operating expenses		**(241)**	(1)
Finance costs	6	**(1,776)**	(412)
PROFIT BEFORE TAX	7	**88,711**	48,023
Income tax expense	10	**(19,096)**	(7,351)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD	12	**69,615**	40,672
EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	11		
Basic		**RMB9.3 cents**	RMB5.4 cents
Diluted		**RMB9.3 cents**	RMB5.4 cents

Consolidated Statement of Comprehensive Income

Six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
PROFIT FOR THE PERIOD	**69,615**	40,672
Other comprehensive income:		
Exchange differences on translating foreign operations	**1,908**	130
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD	**71,523**	40,802

Consolidated Statement of Financial Position

30 June 2011

	Notes	30 June 2011 RMB'000	31 December 2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**102,552**	82,067
Prepaid land lease payments	14	**20,249**	20,466
Intangible assets	15	**7,019**	144
Prepayments and deposits	19	**18,437**	8,387
Total non-current assets		**148,257**	111,064
CURRENT ASSETS			
Inventories	17	**57,867**	34,737
Trade and bills receivables	18	**167,283**	59,149
Amounts due from related parties	31(ii)	**9,669**	26,144
Prepayments and deposits	19	**12,747**	3,731
Pledged deposits	20	**3,411**	2,350
Cash and cash equivalents	20	**172,387**	72,299
Total current assets		**423,364**	198,410
CURRENT LIABILITIES			
Trade and bills payables	21	**120,366**	33,894
Other payables and accruals	22	**27,869**	17,211
Interest-bearing bank borrowings	23	**87,352**	—
Amounts due to related parties	31(ii)	**3,428**	89,565
Tax payable		**8,362**	7,349
Total current liabilities		**247,377**	148,019
NET CURRENT ASSETS		**175,987**	50,391
TOTAL ASSETS LESS CURRENT LIABILITIES		**324,244**	161,455

Consolidated Statement of Financial Position (continued)

30 June 2011

	Notes	30 June 2011 RMB'000	31 December 2010 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing	23	**15,800**	15,800
Deferred tax liabilities	24	**4,300**	—
Total non-current liabilities		**20,100**	15,800
Net assets		**304,144**	145,655
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	25	**8**	11
Reserves	27(a)	**304,136**	145,644
Total equity		**304,144**	145,655

Li Zhenhui
Director

Hong Fang
Director

Consolidated Statement of Changes in Equity

Six months ended 30 June 2011

	Attributable to ordinary equity holders of the Company						
	Issued capital RMB'000 (Note 25)	Share premium RMB'000 (Note 27(a))	Capital reserve RMB'000	Statutory reserve fund RMB'000 (Note 27(a))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	11	–	–	14,690	2,299	128,655	145,655
Exchange differences on translation of foreign operations	–	–	–	–	1,908	–	1,908
Profit for the period	–	–	–	–	–	69,615	69,615
Total comprehensive income for the period	–	–	–	–	1,908	69,615	71,523
Transfer to capital reserve upon reorganisation	(11)	–	11	–	–	–	–
Incorporation of the Company	8	–	–	–	–	–	8
Capitalisation of an amount due to Prince Frog International Company Limited ("Prince Frog International")	–	86,958	–	–	–	–	86,958
At 30 June 2011	8	86,958*	11*	14,690*	4,207*	198,270*	304,144

Consolidated Statement of Changes in Equity (continued)

Six months ended 30 June 2011

	Attributable to ordinary equity holders of the Company					
	Issued capital RMB'000 (Note 25)	Merger reserve RMB'000 (Note 27(a))	Statutory reserve fund RMB'000 (Note 27(a))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010	11	20,000	25,972	108	100,507	146,598
Exchange differences on translation of foreign operations	—	—	—	130	—	130
Profit for the period	—	—	—	—	40,672	40,672
Total comprehensive income for the period	—	—	—	130	40,672	40,802
Deemed appropriations to equity holders	—	(20,000)**	(25,972)**	—	(101,631)**	(147,603)
At 30 June 2010 and 1 July 2010 (unaudited)	11	—	—	238	39,548	39,797
Exchange differences on translation of foreign operations	—	—	—	2,061	—	2,061
Profit for the period	—	—	—	—	103,797	103,797
Total comprehensive income for the period	—	—	—	2,061	103,797	105,858
Transfer to statutory reserve	—	—	14,690	—	(14,690)	—
At 31 December 2010	11	—	14,690*	2,299*	128,655*	145,655

* These reserve accounts comprise the consolidated reserves of RMB304,136,000 (31 December 2010: RMB145,644,000) in the consolidated statement of financial position as at 30 June 2011.

** As part of a group reorganisation (the "Reorganisation") as more fully explained in the section "History and Reorganisation" and Appendix VI "Statutory and General Information" to the prospectus of the Company dated 30 June 2011 (the "Prospectus"), on 1 January 2010, the Group acquired the entire business except for the manufacture of sunscreen, air freshener and insecticide products (the "Business") from Fujian Shuangfei Daily Chemicals Co., Ltd. ("Fujian Shuangfei"), a domestic enterprise under the laws of the People's Republic of China (the "PRC") owned by Mr. Li Zhenhui ("Mr. Li") and Mr. Xie Jinling ("Mr. Xie"). Except for the intangible assets, inventories, trade receivables and trade payables acquired by the Group, the assets and liabilities related to the Business retained by Fujian Shuangfei (the "Retained Assets") have been reflected as appropriations to the ultimate shareholders (i.e., Mr. Li and Mr. Xie) in the consolidated statement of changes in equity on the date of completion of the business acquisition.

Consolidated Statement of Changes in Equity (continued)

Six months ended 30 June 2011

The Retained Assets on 1 January 2010 consisted of the following:

	RMB'000
Assets	
Property, plant and equipment	14,364
Prepaid land lease payments	4,019
Available-for-sale investments	550
Amount due from related parties	54,014
Prepayments and other receivables	214
Pledged deposits	3,662
Cash and cash equivalents	108,392
	185,215
Liabilities	
Bills payables	3,662
Other payables and accruals	20,026
Interest-bearing bank borrowings	92,000
Tax payable	12,210
	127,898
Net assets	57,317

Consolidated Statement of Cash Flows

Six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**88,711**	48,023
Adjustments for:			
Finance costs	6	**1,776**	412
Bank interest income	5	**(200)**	(38)
Depreciation	7	**2,321**	948
Amortisation of prepaid land lease payments	7	**217**	579
Amortisation of intangible assets	7	**245**	179
		93,070	50,103
Increase in inventories		**(23,130)**	(7,160)
Increase in trade and bills receivables		**(108,134)**	(47,615)
Decrease/(increase) in prepayments and deposits		**(9,016)**	543
Increase in trade and bills payables		**86,472**	29,367
Increase in other payables and accruals		**10,658**	20,119
Movements in balances with related parties		**19,473**	(31,384)
Exchange realignment		**(261)**	130
Cash generated from operations		**69,132**	14,103
Interest received		**200**	38
Interest paid		**(1,776)**	(412)
PRC tax paid		**(13,783)**	(2,929)
Net cash flows from operating activities		**53,773**	10,800
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(19,460)**	(32,839)
Purchase of intangible assets	15	**(7,120)**	—
Prepayments for purchase of items of property, plant and equipment	19	**(13,396)**	(3,866)
Increase in pledged deposits		**(1,061)**	(1,880)
Net cash flows used in investing activities		**(41,037)**	(38,585)

Consolidated Statement of Cash Flows (continued)

Six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011	2010
		RMB'000	RMB'000
			(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash distributed to equity holders upon Reorganisation	20	**–**	(108,392)
New bank loans		**107,352**	49,401
Repayment of bank loans		**(20,000)**	(13,728)
Net cash flows from/(used in) financing activities		**87,352**	(72,719)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**100,088**	(100,504)
Cash and cash equivalents at beginning of period		**72,299**	114,442
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**172,387**	13,938
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances and cash and cash equivalents	20	**172,387**	13,938

Statement of Financial Position

30 June 2011

	Notes	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	16	**82,348**
Total non-current assets		**82,348**
CURRENT ASSETS		
Amount due from a subsidiary	16	**5**
Prepayments	19	**5,441**
Total current assets		**5,446**
CURRENT LIABILITIES		
Accruals	22	**1,426**
Amounts due to subsidiaries	16	**21,244**
Total current liabilities		**22,670**
NET CURRENT LIABILITIES		**17,224**
TOTAL ASSETS LESS CURRENT LIABILITIES		**65,124**
Net assets		**65,124**
EQUITY		
Issued capital	25	**8**
Reserves	27(b)	**65,116**
Total equity		**65,124**

Li Zhenhui
Director

Hong Fang
Director

Notes to Financial Statements

30 June 2011

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 PRC.

Pursuant to 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. Details of the Reorganisation were set out in 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 period.

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 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.

Notes to Financial Statements

30 June 2011

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 six months ended 30 June 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.

Comparative amounts have not been presented for the Company's statement of financial position and the notes thereto because the Company was not in existence as at 31 December 2010.

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 period'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*

Apart from the above, *Improvements to IFRSs 2010* has been issued which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

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

Notes to Financial Statements

30 June 2011

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these 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* [1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [1]
IFRS 9	*Financial Instruments* [4]
IFRS 10	Consolidated Financial Statements [4]
IFRS 11	Joint Arrangements [4]
IFRS 12	Disclosure of Interests in Other Entities [4]
IFRS 13	Fair Value Measurement [4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements* [3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* [2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits* [4]
IAS 27 (Revised)	Separate Financial Statements [4]
IAS 28 (Revised)	Investments in Associates and Joint Ventures [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on its results of operations and financial position.

Notes to Financial Statements

30 June 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Notes to Financial Statements

30 June 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	20% to $33^1/_3$%
Motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year/period end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial period end.

Notes to Financial Statements

30 June 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Trademarks

The costs of acquiring the trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated economic life of ten years.

Copyrights

The costs of acquiring the copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated economic life of five years.

Research and development costs

All research costs are charged to the income statement as incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include trade and bills receivables, amounts due from related parties, cash and cash equivalents and pledged deposits.

Notes to Financial Statements

30 June 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to Financial Statements

30 June 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties and interest-bearing bank borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Notes to Financial Statements

30 June 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements

30 June 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to Financial Statements

30 June 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Notes to Financial Statements

30 June 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the statements of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for each of the year.

Notes to Financial Statements

30 June 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from a subsidiary in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considered that if it is probable that the profits of the subsidiary in the PRC will not be distributed in the foreseeable future, then no withholding taxes should be provided.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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30 June 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of trade receivables. The identification of impairment requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as impairment or write-back of impairment in the period in which such estimate has been changed.

4. 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, construction in progress, prepaid land lease payments, prepayments and deposits, 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, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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4. 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
Six months ended 30 June 2011					
Segment revenue:					
Sales to external customers	306,907	162,451	29,353	52,613	551,324
Segment results	136,889	42,894	8,601	8,086	196,470
Interest income					200
Other unallocated gains					297
Corporate and other unallocated expenses					(106,480)
Finance costs					(1,776)
Profit before tax					88,711
Segment assets	136,814	64,425	12,672	25,478	239,389
Reconciliation:					
Corporate and other unallocated assets					332,232
Total assets					571,621
Segment liabilities	37,356	46,263	11,451	25,296	120,366
Reconciliation:					
Corporate and other unallocated liabilities					147,111
Total liabilities					267,477
Other segment information:					
Depreciation and amortisation*	435	12	21	60	528
Capital expenditure**	11,443	6	622	1,087	13,158

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30 June 2011

4. 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
Six months ended 30 June 2010 (unaudited)					
Segment revenue:					
Sales to external customers	165,209	140,272	24,804	16,375	346,660
Segment results	56,015	29,144	9,322	3,584	98,065
Interest income					38
Other unallocated gains					41
Corporate and other unallocated expenses					(49,709)
Finance costs					(412)
Profit before tax					48,023
Other segment information:					
Depreciation and amortisation*	3	10	—	184	197
Capital expenditure**	629	50	—	201	880

* Depreciation and amortisation consist 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 six months ended 30 June 2011 and 2010, therefore no information about major customers is presented.

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5. 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	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Revenue		
Sales of goods	**551,324**	346,660
Other income and gains		
Bank interest income	**200**	38
Government subsidies*	**102**	—
Net fair value gains on foreign exchange derivative financial instruments — transactions not qualified as hedges	**94**	—
Others	**101**	41
	497	79
	551,821	346,739

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

6. FINANCE COSTS

	Group	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Interest on bank borrowings wholly repayable within five years	**1,776**	412

Notes to Financial Statements

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7. PROFIT BEFORE TAX

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

	Notes	Group Six months ended 30 June 2011 RMB'000	2010 RMB'000 (Unaudited)
Cost of inventories sold		**329,104**	220,349
Depreciation*	13	**2,321**	948
Amortisation of prepaid land lease payments	14	**217**	579
Amortisation of intangible assets	15	**245**	179
Minimum lease payments under operating leases on land and buildings*		**2,282**	2,279
Employee benefit expenses* (including directors' remuneration (note 8)):			
Wages and salaries		**23,120**	14,328
Retirement benefit scheme contributions		**827**	259
		23,947	14,587
Auditors' remuneration		**1,426**	4
Research and development costs#		**1,159**	687
Net foreign exchange loss, excluding net fair value gains on foreign exchange derivative financial instruments		**515**	69

This amount is included in "Administrative expenses" in the consolidated income statement.

* Included in the respective balances are the following amounts which are also included in cost of inventories sold disclosed above:

	Group Six months ended 30 June 2011 RMB'000	2010 RMB'000 (Unaudited)
Depreciation	**1,566**	46
Minimum lease payments under operating leases on land and buildings	**1,408**	1,598
Employee benefit expenses	**10,523**	7,203
	13,497	8,847

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8. DIRECTORS' REMUNERATION

Directors' remuneration for the period, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Fees	**–**	–
Other emoluments:		
Salaries and bonuses	**292**	150
Retirement benefit scheme contributions	**5**	2
	297	152

Notes to Financial Statements

30 June 2011

8. DIRECTORS' REMUNERATION (continued)

(a) Non-executive directors

Mr. Yang Feng was appointed as a non-executive director of the Company on 18 February 2011. There were no fees or other emoluments payable to the non-executive director during the period.

Mr. Chen Shaojun, Mr. Ren Yunan and Mr. Wong Wai Ming were appointed as independent non-executive directors of the Company on 18 February 2011. There were no fees or other emoluments payable to the independent non-executive directors during the period.

(b) Executive directors

During the period, Mr. Ge Xiaohua, Mr. Huang Xinwen and Ms. Hong Fang were appointed as executive directors of the Company on 18 February 2011.

	Fees RMB'000	Salaries and bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Six months ended 30 June 2011				
Mr. Li	**—**	**89**	**1**	**90**
Mr. Xie	**—**	**62**	**1**	**63**
Mr. Ge Xiaohua	**—**	**56**	**1**	**57**
Mr. Huang Xinwen	**—**	**41**	**1**	**42**
Ms. Hong Fang	**—**	**44**	**1**	**45**
	—	**292**	**5**	**297**
Six months ended 30 June 2010				
Mr. Li	—	89	1	90
Mr. Xie	—	61	1	62
	—	150	2	152

There was no arrangement under which a director waived or agreed to waive any remuneration during the period (2010: Nil).

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the six months ended 30 June 2010 included one director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the five (2010: four) non-director, highest paid employees for the period are as follows:

	Group Six months ended 30 June	
	2011 **RMB'000**	2010 RMB'000 (Unaudited)
Salaries and bonuses	**621**	289
Retirement benefit scheme contributions	**6**	4
	627	293

During the period, the remuneration of the non-director, highest paid employees fell within the band of Nil to RMB500,000.

During the period, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the persons, who were directors, waived or agreed to waive any emoluments during the period (2010: Nil).

Notes to Financial Statements

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10. 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 period (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	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Current — Mainland China		
Charge for the period	**14,796**	7,351
Deferred (note 24)	**4,300**	—
Total tax charge for the period	**19,096**	7,351

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved and became effective on 1 January 2008. The PRC Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic and foreign-invested enterprises at 25%.

Pursuant to the Notice on the Implementation of Enterprises Income Tax Transition Preferential Policy issued by The State Council of the PRC on 26 December 2007, effective from 1 January 2008, Frog Prince (China) Daily Chemicals Co., Ltd. ("Frog Prince (China)"), a wholly-owned subsidiary of the Group operating in Mainland China and a wholly-foreign-owned enterprise, was exempted from the PRC corporate income tax from 1 January 2008 to 31 December 2009 and is entitled to a 50% reduction of the prevailing tax rate from 1 January 2010 to 31 December 2012 (the "Tax Holiday"). With effect from 1 January 2013, the applicable tax rate will be 25%.

Notes to Financial Statements

30 June 2011

10. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates to the tax expense at the Group's effective tax rates is as follows:

	Group	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Profit before tax	**88,711**	48,023
Tax at the applicable tax rates	**23,499**	12,006
Lower tax rate due to tax holiday	**(13,032)**	(6,003)
Expenses not deductible for tax	**3,562**	1,414
Effect of withholding tax of 10% on the distributable profits of the Group's PRC subsidiary	**4,300**	—
Others	**767**	(66)
Tax charge at the Group's effective tax rates	**19,096**	7,351

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

The calculation of basic earnings per share for the period is based on the consolidated profit attributable to the equity holders of the Company of RMB69,615,000 (2010: RMB40,672,000), and on the assumption that 750,000,000 (2010: 750,000,000) ordinary shares have been in issue throughout the periods, 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 ("Prince Frog Investment"), 554,800 issued ordinary shares of the Company pursuant to share swap, one issued ordinary share of the Company pursuant to the Capitalisation of Pre-IPO Investors Fund (as defined in note 27(a)) and the capitalisation issue of 748,999,999 ordinary shares of the Company, as further detailed in note 25 to the financial statements.

No adjustment has been made to the basic earnings per share presented for the six months ended 30 June 2011 and 2010 as the Group had no potentially diluted ordinary shares in issue during those periods.

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12. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to the equity holders of the Company for the period ended 30 June 2011 includes a loss of RMB17,229,000 which has been dealt with in the financial statements of the Company (note 27(b)).

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
30 June 2011						
Cost:						
At 1 January 2011	7,408	1,605	348	2,979	71,243	83,583
Additions	–	6,038	112	409	16,247	22,806
Transfers	76,274	–	–	–	(76,274)	–
At 30 June 2011	83,682	7,643	460	3,388	11,216	106,389
Accumulated depreciation:						
At 1 January 2011	323	140	54	999	–	1,516
Charge for the period	1,686	283	63	289	–	2,321
At 30 June 2011	2,009	423	117	1,288	–	3,837
Net book value:						
At 30 June 2011	81,673	7,220	343	2,100	11,216	102,552
At 31 December 2010	7,085	1,465	294	1,980	71,243	82,067

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2010						
Cost:						
At 1 January 2010	14,378	8,461	2,042	3,688	30,359	58,928
Additions	—	1,544	319	1,652	48,292	51,807
Deemed appropriations to equity holders*	(14,378)	(8,400)	(2,013)	(2,361)	—	(27,152)
Transfers	7,408	—	—	—	(7,408)	—
At 31 December 2010	7,408	1,605	348	2,979	71,243	83,583
Accumulated depreciation:						
At 1 January 2010	4,771	4,987	1,210	1,820	—	12,788
Charge for the period	323	140	54	999	—	1,516
Deemed appropriations to equity holders*	(4,771)	(4,987)	(1,210)	(1,820)	—	(12,788)
At 31 December 2010	323	140	54	999	—	1,516
Net book value:						
At 31 December 2010	7,085	1,465	294	1,980	71,243	82,067
At 31 December 2009	9,607	3,474	832	1,868	30,359	46,140

* These represented the buildings, plant and machinery, furniture, fixtures and office equipment and motor vehicles not acquired by the Group upon the transfer of the Business of Fujian Shuangfei to the Group on 1 January 2010. Pursuant to the Reorganisation as detailed in the consolidated statement of changes in equity, the Group has entered into lease agreements with Fujian Shuangfei and continued to use these property, plant and equipment through operating lease arrangements with lease term expiring in 2012.

The Group's building with a carrying value of approximately RMB63,576,000 as at 30 June 2011 was pledged to secure the banking facilities granted to the Group (note 23).

Notes to Financial Statements

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14. PREPAID LAND LEASE PAYMENTS

	Group	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Carrying amount at 1 January	**20,900**	25,807
Deemed appropriations to equity holders*	**–**	(4,112)
Recognised during the period/year	**(217)**	(795)
Carrying amount at 30 June/31 December	**20,683**	20,900
Current portion included in prepayments and deposits	**(434)**	(434)
Non-current portion	**20,249**	20,466

* Pursuant to the Reorganisation, land use right with a carrying value of RMB4,112,000 (including RMB93,000 current portion included in prepayments and deposits) at 1 January 2010, was retained by Fujian Shuangfei and had been reflected as deemed appropriations to the equity holders of the Company.

The Group's leasehold lands are located in Mainland China and are held under medium term leases.

The Group's leasehold land with a carrying value of approximately RMB16,033,000 as at 30 June 2011 was pledged to secure the banking facilities granted to the Group (note 23).

15. INTANGIBLE ASSETS

Group

	Trademarks RMB'000	Copyrights RMB'000	Total RMB'000
Cost:			
At 1 January 2010	3,588	—	3,588
Disposals*	(3,428)	—	(3,428)
At 31 December 2010 and 1 January 2011	160	—	160
Additions	—	7,120	7,120
At 30 June 2011	160	7,120	7,280
Accumulated amortisation:			
At 1 January 2010	213	—	213
Retained by Fujian Shuangfei	(213)	—	(213)
Provided during the period	359	—	359
Disposals*	(343)	—	(343)
At 31 December 2010 and 1 January 2011	16	—	16
Provided during the period	8	237	245
At 30 June 2011	24	237	261
Net carrying amount:			
At 30 June 2011	136	6,883	7,019
At 31 December 2010	144	—	144

* Pursuant to the Reorganisation, at 1 January 2010, intangible assets with an aggregate net carrying value of RMB3,375,000 were transferred from Fujian Shuangfei to the Group at cash consideration of RMB3,428,000, and the accumulated amortisation of RMB213,000 was retained by Fujian Shuangfei. During the year ended 31 December 2010, intangible assets with an aggregate net carrying value of RMB3,085,000 of the Group were disposed of to Fujian Shuangfei at an aggregate cash consideration of RMB3,428,000. The directors confirmed that the considerations were charged on a basis mutually agreed by both parties.

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16. INVESTMENTS IN SUBSIDIARIES

	Company 30 June 2011 RMB'000
Unlisted shares, at cost	**82,348**

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Prince Frog Investment (note 1)	British Virgin Islands ("BVI")	US$30	100	—	Investment holding
Prince Frog (HK) Daily Chemicals Company Limited ("Prince Frog (HK)") (note 1)	Hong Kong	HK$10,100	—	100	Investment holding
青蛙王子(中國)日化有限公司 Frog Prince (China) (notes 1 and 2)	PRC/ Mainland China	US$10,000,000	—	100	Manufacture and sale of personal care and household hygiene products

Notes:

1. Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.
2. Frog Prince (China) is registered as a wholly-foreign-owned enterprise under the law of the PRC.

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17. INVENTORIES

	Group	
	30 June	31 December
	2011	2010
	RMB'000	RMB'000
Raw materials	**14,243**	7,645
Work in progress	**983**	830
Finished goods	**42,641**	26,262
	57,867	34,737

18. TRADE AND BILLS RECEIVABLES

	Group	
	30 June	31 December
	2011	2010
	RMB'000	RMB'000
Trade receivables	**167,283**	58,949
Bills receivable	**—**	200
	167,283	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. Trade and bills receivables are non-interest-bearing.

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18. TRADE AND BILLS RECEIVABLES (continued)

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	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Within 30 days	**94,980**	48,836
31 to 60 days	**65,485**	10,052
61 to 90 days	**6,786**	61
91 to 180 days	**32**	200
	167,283	59,149

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

		Neither past	Past due but not impaired			
	Total RMB'000	**due nor impaired RMB'000**	**1 to 30 days RMB'000**	**31 to 60 days RMB'000**	**61 to 90 days RMB'000**	**Over 90 days RMB'000**
30 June 2011	**167,283**	**94,980**	**72,145**	**150**	**—**	**8**
31 December 2010	59,149	49,036	10,052	61	—	—

The Group's trade and bills receivables that were neither past due nor impaired mainly represent sales made to recognised and creditworthy customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

At 30 June 2011, the Group had factored certain trade receivables amounting to RMB9,190,000 (2010: Nil) to a bank with recourse in exchange for cash of RMB7,352,000 and the related bank loans of RMB7,352,000 (2010: Nil) of the Group was accounted for as bank borrowings (note 23).

19. PREPAYMENTS AND DEPOSITS

Group

	30 June 2011 RMB'000	31 December 2010 RMB'000
Prepayments	9,674	3,325
Prepayments for purchase of items of property, plant and equipment	18,337	8,287
Deposits	687	506
Other taxes recoverable	2,486	—
	31,184	12,118
Less: non-current portion	(18,437)	(8,387)
	12,747	3,731

Company

	30 June 2011 RMB'000
Prepayments	5,441

Pursuant to the Reorganisation, prepayments with an aggregate carrying value of RMB214,000 at 1 January 2010 were retained by Fujian Shuangfei and had been reflected as deemed appropriations to the equity holders of the Company.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Cash and bank balances	**172,387**	72,299
Time deposits	**3,411**	2,350
	175,798	74,649
Less: Pledged time deposits		
Pledged for bills payables	**(2,862)**	(1,780)
Pledged for banking facilities on foreign exchange derivative financial instruments	**(549)**	(570)
Cash and cash equivalents	**172,387**	72,299

Pursuant to the Reorganisation, pledged deposits and cash and cash equivalents with aggregate carrying values of RMB3,662,000 and RMB108,392,000, respectively at 1 January 2010, were retained by Fujian Shuangfei and had been reflected as deemed appropriations to the equity holders of the Company.

At 30 June 2011, the Group's cash and cash equivalents denominated in RMB amounted to RMB152,845,000 (31 December 2010: RMB50,383,000). RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year, and earn interest at the short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. 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	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Within 1 month	**108,364**	28,111
1 to 3 months	**9,070**	4,575
3 to 6 months	**2,019**	1,170
Over 6 months	**913**	38
	120,366	33,894

Pursuant to the Reorganisation, bills payables with an aggregate carrying value of RMB3,662,000 at 1 January 2010 were retained by Fujian Shuangfei and had been reflected as deemed appropriations to the equity holders of the Company.

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 RMB2,862,000 and RMB1,780,000 as at 30 June 2011 and 31 December 2010, respectively.

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22. OTHER PAYABLES AND ACCRUALS

Group

	30 June 2011 RMB'000	31 December 2010 RMB'000
Other payables	2,643	40
Other tax payables	462	5,732
Deposits received from customers	1,058	1,487
Accruals	23,706	9,952
	27,869	17,211

Company

	30 June 2011 RMB'000
Accruals	1,426

Pursuant to the Reorganisation, other payables and accruals with an aggregate carrying value of RMB20,026,000 at 1 January 2010 were retained by Fujian Shuangfei and had been reflected as deemed appropriations to the equity holders of the Company.

Other payables are non-interest-bearing and have an average term of one month.

23. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 30 June 2011 RMB'000	31 December 2010 RMB'000
Current				
Bank loans — secured	6.1-6.6	September 2011– June 2012	**80,000**	—
Bank loans — factored trade receivables (note 18)	4.7-5.4	August 2011– September 2011	**7,352**	—
			87,352	—
Non-current				
Bank loan — unsecured	5.4-6.4	April 2013	**15,800**	15,800
			15,800	15,800
			103,152	15,800

Pursuant to the Reorganisation, interest-bearing bank borrowings with an aggregate carrying value of RMB92,000,000 at 1 January 2010 were retained by Fujian Shuangfei and had been reflected as deemed appropriations to the equity holders of the Company.

	Group 30 June 2011 RMB'000	31 December 2010 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**87,352**	—
In the second year	**15,800**	—
In the third to fifth years, inclusive	**—**	15,800
	103,152	15,800

Notes to Financial Statements

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23. INTEREST-BEARING BANK BORROWINGS (continued)

(a) Certain of the Group's bank loans are secured by:

(i) the pledge of the Group's building with a net carrying amount of approximately RMB63,576,000 as at 30 June 2011 (2010: Nil);

(ii) the pledge of the Group's leasehold land with a net carrying amount of approximately RMB16,033,000 as at 30 June 2011 (2010: Nil); and

(iii) the Group's trade receivables with a carrying amount of approximately RMB9,190,000 as at 30 June 2011 (2010: Nil).

(b) Except for certain secured bank loans with an aggregate amount of RMB7,352,000, which are denominated in United States dollars (the "USD"), all borrowings are in RMB.

(c) Bank loans of RMB20,000,000 and RMB43,000,000 utilised during the period ended 30 June 2011 and the year ended 31 December 2010, respectively, were guaranteed by Mr. Li and Mr. Xie and had been repaid during the period ended 30 June 2011 and year ended 31 December 2010, respectively. In addition, bank loans of RMB50,000,000 utilised during the period ended 30 June 2011 were guaranteed by Mr. Li and Mr. Xie. Such guarantees had been replaced by the pledge of certain of the Group's leasehold land and buildings during the period ended 30 June 2011.

24. DEFERRED TAX LIABILITIES

Group

	Withholding taxes RMB'000
At 1 January 2010, 31 December 2010 and 1 January 2011	–
Deferred tax charged to the income statement during the period (note 10)	4,300
At 30 June 2011	4,300

Pursuant to the income tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

Notes to Financial Statements

30 June 2011

24. DEFERRED TAX LIABILITIES (continued)

At 30 June 2011, the aggregate amounts of temporary differences associated with an investment in a subsidiary in Mainland China for which deferred tax liabilities arising from withholding taxes have not been recognised is approximately RMB170,175,000 (2010: RMB132,206,000).

The Company has no significant unprovided deferred tax in respect of the reporting period and as at the end of the reporting period.

25. ISSUED CAPITAL

The issued capital as at 31 December 2010 represented the combined issued share capital of Prince Frog (HK) and Prince Frog Investment, which are now subsidiaries of the Company.

	30 June 2011 RMB'000
Authorised:	
5,000,000,000 ordinary shares of HK$0.01 each	**41,524**
Issued and fully paid:	
1,000,001 ordinary shares of HK$0.01 each	**8**

Notes to Financial Statements

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25. ISSUED CAPITAL (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 11 January 2011 (date of incorporation) to 30 June 2011, and subsequent to the reporting period up to 11 August 2011:

	Notes	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$'000	RMB'000
Authorised:				
On incorporation	(a)	5,000,000	50	43
Increase in authorised share capital on 22 June 2011	(b)	4,995,000,000	49,950	41,481
As at 30 June 2011 and 11 August 2011		5,000,000,000	50,000	41,524
Issued:				
Allotted and issued for cash on incorporation	(c)	100	—	—
Issuance of new shares pursuant to the acquisition of Prince Frog Investment	(d)	445,100	4	3
Issuance of new shares pursuant to share swap	(e)	554,800	6	5
Issuance of new share pursuant to the Capitalisation of Pre-IPO Investors Fund as defined in note 27(a)	(f)	1	—	—
As at 30 June 2011		1,000,001	10	8
Capitalisation issue credited as fully-paid conditional on the share premium account of the Company, being credited as a result of the issuance of new shares to the public	(g)	748,999,999	7,490	6,217
Issuance of new shares on 15 July 2011	(h)	250,000,000	2,500	2,075
Issuance of new shares on 11 August 2011	(i)	8,250,000	83	68
As at 11 August 2011		1,008,250,000	10,083	8,368

Notes to Financial Statements

30 June 2011

25. ISSUED CAPITAL (continued)

Notes:

(a) On incorporation of the Company on 11 January 2011, the authorised share capital of the Company was HK$50,000 divided into 5,000,000 shares of HK$0.01 each.

(b) Pursuant to an ordinary resolution passed on 22 June 2011, the authorised share capital of the Company was increased from HK$50,000 to HK$50,000,000 by the creation of 4,995,000,000 additional shares of HK$0.01 each, ranking pari passu in all respect with the existing shares of the Company.

(c) On incorporation of the Company on 11 January 2011, one share of HK$0.01 each was allotted and issued, at nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Prince Frog International on the same date. In addition, 99 shares of HK$0.01 each were allotted and issued, at nil paid, to Prince Frog International on the same date.

(d) On 22 February 2011, the Company acquired from Prince Frog International an aggregate of 200 shares of US$0.1 each in the share capital of Prince Frog Investment, being its entire issued share capital, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 445,100 shares to Prince Frog International and (ii) credited as fully paid at par the 100 nil paid share then held by Prince Frog International (note (c)).

(e) Pursuant to an ordinary resolution passed on 13 June 2011, 427,700 shares, 94,200 shares, 14,100 shares and 18,800 shares were allotted and issued, credited as fully paid, to Jinlin Investment Company Limited ("Jinlin Investment"), CCB International Asset Management Limited ("CCBIAM"), Joyful Business Holdings Limited ("Joyful") and PARAMOUNT STAGE LIMITED ("PARAMOUNT"), respectively, in exchange for selling the shares in Prince Frog International of the same amount to Zhenfei Investment Company Limited ("Zhenfei Investment").

(f) On 20 June 2011, one share of HK$0.01 was issued, credited as fully paid, to Prince Frog International at a consideration of approximately HK$104,750,000 for Capitalisation of Pre-IPO Investors Fund (as defined in note 27(a)).

(g) Pursuant to a resolution passed on 22 June 2011, 748,999,999 shares of HK$0.1 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the holders of shares whose names appear on the register of members of the Company at 8:00 a.m. on 14 July 2011 in proportion to their respective shareholdings. This allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in note (h) below.

(h) In connection with the Company's initial public offering, 250,000,000 shares of HK$0.01 each were issued at a price of HK$2.60 per share for a total cash consideration, before expenses, of approximately HK$650,000,000. Dealings in these shares on the Stock Exchange commenced on 15 July 2011.

(i) Pursuant to the international underwriting agreement dated 29 June 2011, the Company granted an option (the "Over-allotment Option") to the international underwriters, exercisable by CCB International Capital Limited on behalf of the international underwriters. On 5 August 2011, the Over-allotment Option was partially exercised, whereby an aggregate of 9,900,000 shares which comprise of 8,250,000 new shares and 1,650,000 sale shares, comprising 841,500 shares offered for sale by Prince Frog International and 808,500 shares offered for sale by Jinlin Investment, to cover over-allocations in the international offering. The exercise price per share for the Over-allotment Option is HK$2.60. Dealings in these shares on the Stock Exchange commenced on 11 August 2011.

(j) During the year ended 31 December 2002, Prince Frog (HK) was incorporated with authorised share capital of HK$10,000 of 10,000 shares of HK$1 each and 10,000 shares of HK$1 each were issued. The share capital represented the share capital of Prince Frog (HK) as at 1 January 2010 and 30 June 2010. During the year ended 31 December 2010, Prince Frog Investment was incorporated with authorised share capital of US$5,000 of 50,000 shares of US$0.1 each and 100 shares of US$0.1 each were issued. As at 1 January 2011, the share capital represented the combined share capital of Prince Frog (HK) of HK$10,000 and Prince Frog Investment of US$10.

Notes to Financial Statements

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26. SHARE OPTION SCHEME

On 22 June 2011, the Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include, among others, the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group and the Company's shareholders. The Scheme was conditionally approved on 22 June 2011, and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Scheme became effective on 15 July 2011 upon the listing of the Company's shares on the Main Board of the Stock Exchange.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding the independent non-executive director who or whose associate is the grantee of the option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The exercise price of share options is determinable by the directors, but may not be less whichever is the highest of (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

No share option has been granted since the adoption of the Scheme.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current period and prior year are presented in the consolidated statement of changes in equity of the financial statements.

(i) Share premium

As at 30 June 2011, share premium of RMB86,958,000 represented the excess of the consideration of HK$104,750,000 (i.e. RMB86,958,000) pursuant to the Capitalisation of Pre-IPO Investors Fund (defined below) over the nominal value of the Company's share capital issued in exchange therefor.

On 29 July 2010, Prince Frog (HK), Frog Prince (China), Mr. Li, Mr. Xie, Zhenfei Investment, Jinlin Investment and Prince Frog International entered into share purchase agreements (the "SPAs") with CCBIAM, Joyful and PARAMOUNT. Pursuant to the SPAs, Prince Frog International allotted and issued new ordinary shares of 10,785 shares, 1,618 shares and 2,157 shares to CCBIAM, Joyful and PARAMOUNT at cash considerations of US$10,000,000, US$1,500,000 and US$2,000,000 (amounted to a total of US$13,500,000 (i.e. HK$104,750,000 equivalent) in aggregate, the "Pre-IPO Investors Fund"), respectively. Prince Frog International advanced the fund to the Group and an amount due to Prince Frog International of HK$104,750,000 (approximately RMB89,135,000) was recorded in the consolidated statement of financial position as at 31 December 2010.

On 20 June 2011, the Company entered into share subscription agreements (the "Share Subscription Agreements") with Prince Frog International, Prince Frog Investment and Prince Frog (HK). Pursuant to the Share Subscription Agreements, the Company allotted and issued one new ordinary share of HK$0.01 to Prince Frog International at a consideration of HK$104,750,000. Upon completion of these share subscriptions, the amount due to Prince Frog International by the Group was then settled in full. The difference between the par value of the one ordinary share issued and the capitalised Pre-IPO Investors Fund ("Capitalisation of Pre-IPO Investors Fund") was accounted for as a credit to the Group's share premium during the period.

(ii) Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the Reorganisation as detailed in the consolidated statement of changes in equity.

(iii) Statutory reserve fund

In accordance with the Company Law of the PRC, the Company's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

Notes to Financial Statements

30 June 2011

27. RESERVES (continued)

(b) Company

	Share premium RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 11 January 2011	–	–	–	–
Loss for the period	–	–	(17,229)	(17,229)
Total comprehensive expense for the period	–	–	(17,229)	(17,229)
Acquisition of subsidiaries	–	(4,613)	–	(4,613)
Capitalisation of an amount due to Prince Frog International	86,958	–	–	86,958
At 30 June 2011	86,958	(4,613)	(17,229)	65,116

The share premium represents the excess of the consideration from the Capitalisation of Pre-IPO Investors Fund over the nominal value of the Company's share capital issued in exchange therefor, as mentioned in note 27(a)(i) above. The debit balance of capital reserve represented the excess of the nominal value of the Company's shares issued in exchange therefor and the then net asset value of the subsidiaries acquired.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) On 1 January 2010, Retained Assets of Fujian Shuangfei with aggregate carrying values of approximately RMB57,317,000 were not transferred to the Group and were retained by Fujian Shuangfei. They were reflected as deemed appropriations to the equity holders in the consolidated statement of changes in equity.

(b) On 20 June 2011, the amount due to Prince Frog International of RMB89,135,000 (equivalent to HK$104,750,000) was settled via the Capitalisation of Pre-IPO Investors Fund.

(c) During the six months ended 30 June 2011, prepayments for purchase of items of property, plant and equipment of RMB3,346,000 as at 31 December 2010 was transferred to property, plant and equipment.

Notes to Financial Statements

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29. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its factory, warehouses and office premises under operating lease arrangements. Leases for properties are negotiated for terms of one to ten years with an option for renewal after that date, at which times all terms will be renegotiated.

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

	Group	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year	**4,653**	4,118
In the second to fifth years, inclusive	**4,287**	4,323
	8,940	8,441

30. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Contracted, but not provided for:		
Purchase of buildings	**68,885**	77,362
Purchase of items of plant and machinery	**9,274**	6,790
	78,159	84,152

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31. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
	Notes	**2011**	2010
		RMB'000	RMB'000
			(Unaudited)
Related companies:			
Sales of products	(a)	**20,663**	6,268
Rental expenses	(b)	**1,704**	1,789
Subcontracting fees	(c)	**8,199**	6,451
Purchases of raw materials	(d)	**—**	159
Purchase of intangible asset	(e)	**7,120**	—

Notes:

(a) Sales to a related company, Shuangfei Daily Chemical (USA) Inc. ("Shuangfei (USA)"), in which Mr. Li and Mr. Xie have beneficial interests, were made on mutually agreed terms.

(b) Frog Prince (China) and Fujian Shuangfei, which are controlled by Mr. Li and Mr. Xie, entered into buildings, equipment and vehicles lease agreements on 1 January 2010 and a supplementary lease agreement on 26 January 2011. Pursuant to these agreements, Frog Prince (China) leased from Fujian Shuangfei the production premises and office building with a total floor area of 14,097 square metres and certain machinery, furniture, fixtures, office equipment and motor vehicles. The terms of the lease under the agreements are three years with a fixed monthly rental payable of RMB80,000 for the production premises and office building and RMB204,000 for the machinery, furniture, fixtures, office equipment and motor vehicles. The directors confirmed that the rentals charged under equipment and vehicles lease agreements were made on mutually agreed terms.

(c) The directors confirmed that the subcontracting fees paid to Fujian Shuangfei were made according to the prices similar to those offered in the market.

(d) The directors confirmed that the purchases from Fujian Shuangfei were made according to the prices and conditions similar to those offered in the market.

(e) Frog Prince (China) and Fujian Shuangfei entered into copyrights assignment agreement on 28 February 2011 for the acquisition of copyrights related to 青蛙王子 (Frog Prince) animation series. The directors confirmed that purchase was made on mutually agreed terms.

31. RELATED PARTY TRANSACTIONS (continued)

(ii) An analysis of the balances with related parties is as follows:

Group

Due from related parties:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Directors	—	2,573
Related companies	9,669	23,571
	9,669	26,144

Due to related parties:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Directors	—	430
Prince Frog International	—	89,135
Related company	3,428	—
	3,428	89,565

Particulars of the amounts due from directors and related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Group

Six months ended 30 June 2011

Name	30 June 2011 RMB'000	Maximum amount outstanding during the period RMB'000	1 January 2011 RMB'000
Directors			
Mr. Li	—	1,312	1,312
Mr. Xie	—	1,261	1,261
Related companies			
Shuangfei USA	9,669	15,828	11,594
Fujian Shuangfei	—	11,977	11,977
	9,669	30,378	26,144

31. RELATED PARTY TRANSACTIONS (continued)

(ii) An analysis of the balances with related parties is as follows: (continued)

Group
Year ended 31 December 2010

Name	31 December 2010 RMB'000	Maximum amount outstanding during the year RMB'000	1 January 2010 RMB'000
Directors			
Mr. Li	1,312	3,825	3,825
Mr. Xie	1,261	3,675	3,675
Related companies			
Shuangfei USA	11,594	22,842	3,591
Fujian Shuangfei	11,977	11,977	—
	26,144	42,319	11,091

Pursuant to the Reorganisation, amounts due from related parties of RMB54,014,000 to Fujian Shuangfei at 1 January 2010 were retained by Fujian Shuangfei and had been reflected as deemed appropriations to the equity holders of the Company.

The outstanding balances with related parties are interest-free, unsecured and have no fixed terms of repayment.

(iii) Compensation of key management personnel of the Group

Further details of directors' remuneration and five highest paid employees are included in note 8 and note 9 to these financial statements.

The related party transactions in respect of items (i)(a), (i)(b) and (i)(c) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the period are as follows:

Financial assets

Loans and receivables

	Group	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade and bills receivables	**167,283**	59,149
Amounts due from related parties	**9,669**	26,144
Financial assets included in prepayments and deposits	**687**	506
Pledged deposits	**3,411**	2,350
Cash and cash equivalents	**172,387**	72,299
	353,437	160,448

Financial liabilities

Financial liabilities at amortised cost

	Group	
	30 June 2011 HK$'000	31 December 2010 HK$'000
Trade and bills payables	**120,366**	33,894
Financial liabilities included in other payables and accruals	**13,687**	5,064
Interest-bearing bank borrowings	**103,152**	15,800
Amounts due to related parties	**3,428**	89,565
	240,633	144,323

Notes to Financial Statements

30 June 2011

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of each of the period are as follows: (continued)

Financial assets

Loans and receivables

	Company 30 June 2011 RMB'000
Amount due from a subsidiary	5

Financial liabilities

Financial liabilities at amortised cost

	Company 30 June 2011 RMB'000
Financial liabilities included in accruals	1,426
Amounts due to subsidiaries	21,244
	22,670

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise pledged deposits, cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, amounts due from related parties, financial assets included in prepayments and deposits, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related parties, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations. It is, and has been, throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces prudent strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates.

The Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risks. The interest-bearing bank borrowings, cash and short term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the income statement as earned/incurred.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit (through the impact on floating rate borrowings).

	Increase in interest rate (basis points)	Decrease in profit before tax RMB'000
Period ended 30 June 2011	**100**	**190**
Year ended 31 December 2010	100	—

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales transactions and denominated in USD.

The following table demonstrates the sensitivity at 30 June 2011 and 31 December 2010 to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/(decrease) in USD rate	Increase/(decrease) in profit before tax	
		30 June 2011	31 December 2010
	%	**RMB'000**	RMB'000
If USD weakens against RMB	5	**(1,461)**	(1,417)
If USD strengthens against RMB	(5)	**1,461**	1,417

Notes to Financial Statements

30 June 2011

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and amounts due from related companies arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents and available banking facilities. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The maturity profile of the Group's financial liabilities as at 30 June 2011 and 31 December 2010, based on the contractual undiscounted payments, was as follows:

	30 June 2011			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	—	120,360	6	120,366
Financial liabilities included in other payables and accruals	—	13,687	—	13,687
Interest-bearing bank borrowings	—	91,314	16,626	107,940
Amounts due to related parties	3,428	—	—	3,428
	3,428	225,361	16,632	245,421

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at 30 June 2011 and 31 December 2010, based on the contractual undiscounted payments, was as follows: (continued)

	31 December 2010			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	33,894	—	33,894
Financial liabilities included in other payables and accruals	—	5,064	—	5,064
Interest-bearing bank borrowings	—	853	16,920	17,773
Amounts due to related parties	89,565	—	—	89,565
	89,565	39,811	16,920	146,296

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, was less than one year.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the periods.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1.

34. EVENTS AFTER THE REPORTING PERIOD

In addition to the subsequent events detailed elsewhere in the financial statements, the shares of the Company were listed on the Main Board of the Stock Exchange on 15 July 2011.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 August 2011.

Supplementary Information to the Interim Report

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

The Company's shares were listed on the Stock Exchange on 15 July 2011 (the Listing Date), which is after 30 June 2011 (end of this reporting period). Accordingly, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") and Section 352 of the SFO were not applicable to the Company/the Company's directors as at 30 June 2011.

As at 30 August 2011 (the date of this report), the interests of the directors of the Company in the shares of the Company, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in the ordinary shares of the Company

Name of director	Nature of interests	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
Mr. Li Zhenhui	Interest of controlled corporations (Note 1)	307,544,500	30.50%
Mr. Xie Jinling	Interest of controlled corporation (Note 2)	295,483,500	29.31%

Notes:

1. These shares were held by Prince Frog International Company Limited, a wholly owned subsidiary of Zhenfei Investment Company Limited, which in turn was a controlled corporation of Mr. Li Zhenhui. Accordingly, Mr. Li Zhenhui was deemed to be interested in these shares pursuant to Part XV of the SFO.
2. These shares were held by Jinlin Investment Company Limited, a controlled corporation of Mr. Xie Jinling. Accordingly, Mr. Xie Jinling was deemed to be interested in these shares pursuant to Part XV of the SFO.

+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at the date of this report.

Save as disclosed above, as at the date of this report, none of the directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Supplementary Information to the Interim Report

Substantial Shareholders' Interests in Shares and Underlying Shares

As stated above, the Company's shares were not listed on the Stock Exchange as at 30 June 2011. Accordingly, no disclosure of interests or short positions in any shares or underlying shares of the Company was required to be made to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2011.

As at the date of this report, the following interest of 5% or more of the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
Prince Frog International Company Limited	Beneficial owner (Note 1)	307,544,500	30.50%
Zhenfei Investment Company Limited	Interest of controlled corporation (Note 1)	307,544,500	30.50%
Jinlin Investment Company Limited	Beneficial owner (Note 2)	295,483,500	29.31%
CCB International Asset Management Limited	Beneficial owner (Note 3)	70,609,000	7.00%
CCB International Assets Management (Cayman) Limited	Interest of controlled corporation (Note 3)	70,609,000	7.00%

Supplementary Information to the Interim Report

Name of substantial shareholder	Nature of interests	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
CCB International (Holdings) Limited	Interest of controlled corporations (Note 3)	70,609,000	7.00%
CCB Financial Holdings Limited	Interest of controlled corporations (Note 3)	70,609,000	7.00%
CCB International Group Holdings Limited	Interest of controlled corporations (Note 3)	70,609,000	7.00%
China Construction Bank Corporation	Interest of controlled corporations (Note 3)	70,609,000	7.00%
Central Huijin Investment Limited	Interest of controlled corporations (Note 3)	70,609,000	7.00%

Notes:

1. These shares were held by Prince Frog International Company Limited, a wholly owned subsidiary of Zhenfei Investment Company Limited, which in turn was a controlled corporation of Mr. Li Zhenhui. The above interest of Zhenfei Investment Company Limited and Prince Frog International Company Limited was also disclosed as the interest of Mr. Li Zhenhui in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares".
2. The above interest of Jinlin Investment Company Limited was also disclosed as the interest of Mr. Xie Jinling in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares".
3. These shares were held by CCB International Asset Management Limited, a wholly owned subsidiary of CCB International Assets Management (Cayman) Limited, which in turn was a wholly-owned subsidiary of CCB International (Holdings) Limited. CCB International (Holdings) Limited was a wholly-owned subsidiary of CCB Financial Holdings Limited, which in turn was a wholly-owned subsidiary of CCB International Group Holdings Limited. CCB International Group Holdings Limited was a wholly-owned subsidiary of China Construction Bank Corporation, which in turn was owned as to 57.1% by Central Huijin Investment Limited.

   Accordingly, CCB International Assets Management (Cayman) Limited, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Limited were deemed to be interested in these shares pursuant to the SFO.

\+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at the date of this report.

Save as disclosed above, as at the date of this report, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

Supplementary Information to the Interim Report

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code (Appendix 10 to the Listing Rules) as its code of conduct governing securities transactions by directors. All the Company's 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 the date of this report.

Compliance with the Written Guidelines for Securities Transactions by the Relevant Employees of the Company

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company for the period from the Listing Date to the date of this report.

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 its 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 Listing Rules for the period from the Listing Date to the date of this report, 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 currently holds the positions 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.

Supplementary Information to the Interim Report

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 the date of this report.

Update on Director's Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of a director of the Company is set out below:

— Mr. Wong Wai Ming was appointed as the Deputy Chief Financial Officer of Baofeng Modern International Holdings Company Limited (a company listed on the Main Board of the Stock Exchange; stock code: 1121) on 4 July 2011.

Audit Committee

The Audit Committee of the Company, comprising the Company's three independent non-executive directors, has reviewed the consolidated interim results of the Company for the six months ended 30 June 2011, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.

Corporate Communications

In accordance with the Listing Rules, the Company has ascertained shareholders' wishes regarding their preferences on the language (i.e. English and/or Chinese) and means of receipt (i.e. in printed form or using electronic means) of the Company's corporate communications[#]. Shareholders who have chosen/are deemed to have chosen to receive the corporate communications using electronic means, and who for any reason have difficulty in receiving or gaining access to the Company's corporate communications will promptly upon request be sent the corporate communications in printed form free of charge. Shareholders have the right at any time to change their choice of language and means of receipt of the Company's corporate communications.

Shareholders may request for printed copy of the Company's corporate communications or change their choice of language and/or means of receipt of the Company's corporate communications by sending reasonable prior notice in writing to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Shareholders may also send such a notice by email to prince.ecom@computershare.com.hk.

Corporate communications refer to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to (a) annual report; (b) interim report; (c) notice of meeting; (d) listing document; (e) circular; and (f) form of proxy.

By order of the Board
Li Zhenhui
Chairman
30 August 2011