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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

Financial highlights for the six months ended 30 June 2011

Revenue increased by 59.0% over the same period in 2010 to approximately RMB551.3 million

Gross profit increased by 75.9% over the same period in 2010 to approximately RMB222.2 million. Gross profit margin increased by 3.9 percentage points to 40.3%

Profit attributable to the equity holders of the Company for the period increased by 71.2% over the same period in 2010 to approximately RMB69.6 million

Basic earnings per share attributable to ordinary equity holders of the Company increased by approximately 72.2% over the same period in 2010 to RMB9.3 cents

The Board of Directors (the "**Board**") of Prince Frog International Holdings Limited ("**Prince Frog**" or the "**Company**") is pleased to announce the consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2011, together with unaudited comparative figures for the corresponding period in the year 2010, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2011** ***RMB'000***	 2010 *RMB'000* (Unaudited)
REVENUE	4	**551,324**	346,660
Cost of sales		**(329,104)**	(220,349)
Gross profit		**222,220**	126,311
Other income and gains	4	**497**	79
Selling and distribution costs		**(98,687)**	(70,201)
Administrative expenses		**(33,302)**	(7,753)
Other operating expenses		**(241)**	(1)
Finance costs	5	**(1,776)**	(412)
PROFIT BEFORE TAX	6	**88,711**	48,023
Income tax expense	7	**(19,096)**	(7,351)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD		**69,615**	40,672
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
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	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

	Notes	**30 June 2011** *RMB'000*	31 December 2010 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**102,552**	82,067
Prepaid land lease payments		**20,249**	20,466
Intangible assets		**7,019**	144
Prepayments and deposits		**18,437**	8,387
Total non-current assets		**148,257**	111,064
CURRENT ASSETS			
Inventories		**57,867**	34,737
Trade and bills receivables	9	**167,283**	59,149
Amounts due from related parties		**9,669**	26,144
Prepayments and deposits		**12,747**	3,731
Pledged deposits		**3,411**	2,350
Cash and cash equivalents		**172,387**	72,299
Total current assets		**423,364**	198,410
CURRENT LIABILITIES			
Trade and bills payables	10	**120,366**	33,894
Other payables and accruals		**27,869**	17,211
Interest-bearing bank borrowings		**87,352**	—
Amounts due to related parties		**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
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		**15,800**	15,800
Deferred tax liabilities		**4,300**	—
Total non-current liabilities		**20,100**	15,800
Net assets		**304,144**	145,655

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**30 June 2011 RMB'000**	31 December 2010 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**8**	11
Reserves		**304,136**	145,644
Total equity		**304,144**	145,655

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND GROUP REORGANISATION

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

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

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 and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the 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.

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. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current 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.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

Segment assets exclude property, plant and equipment except for plant and machinery, 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 and tax payable as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION (continued)

	Children's personal care products *RMB'000*	Household hygiene products *RMB'000*	Adults' personal care products *RMB'000*	Other products *RMB'000*	Total *RMB'000*
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**

* 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.

3. OPERATING SEGMENT INFORMATION (continued)

	Children's personal care products *RMB'000*	Household hygiene products *RMB'000*	Adults' personal care products *RMB'000*	Other products *RMB'000*	Total *RMB'000*
Six months ended 30 June 2010					
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.

4. REVENUE, OTHER INCOME AND GAINS

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

	Group	
	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

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

5. 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

6. PROFIT BEFORE TAX

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

	Group	
	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Cost of inventories sold	**329,104**	220,349
Depreciation	**2,321**	948
Amortisation of prepaid land lease payments	**217**	579
Amortisation of intangible assets	**245**	179

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the 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	**4,300**	—
Total tax charge for the period	**19,096**	7,351

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the period is based on the consolidated profit attributable to the ordinary 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, 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 and the capitalisation issue of 748,999,999 ordinary shares of the Company.

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.

9. 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.

9. 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	31 December 2010
	RMB'000	*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

10. 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	31 December 2010
	RMB'000	*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

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.

11. CAPITAL COMMITMENTS

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

	Group	
	30 June 2011	31 December 2010
	RMB'000	*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

Management Discussion and Analysis

Initial Public Offering

The Company was listed on the Main Board of the Stock Exchange (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 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 had 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 announcement. 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.

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.

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 by 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 to enhance 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. 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 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 announcement; and (ii) increased brand recognition through animation series, commercials and in-store activities and new products.

Gross profit and gross profit margin

Gross profit of the Group for the 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; (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 was mainly due to the reasons as described above.

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, 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.

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.

Auditors' Report

The audit opinion that will be issued for the consolidated interim financial statements of the Group for the six months ended 30 June 2011, will include the following paragraph:

"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."

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.

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 announcement.

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.

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 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the period from the Listing Date to the date of this announcement, 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.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (Appendix 10 to the Listing Rules, the "**Model Code**") as its code of conduct governing securities transactions by Directors. All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard set out in the Model Code for the period from the Listing Date to the date of this announcement.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the websites of the Company (www.princefrog.com.cn) and the Stock Exchange (www.hkexnews.hk). The Company's interim report for the six months ended 30 June 2011, containing all the information required by the Listing Rules, will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Zhangzhou, PRC
30 August 2011

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