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 2012

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

Revenue increased by 5.6% over the same period in 2011 to approximately RMB582.0 million. Revenue of children's personal care products increased by 29.0% to approximately RMB396.0 million.

Gross profit increased by 10.9% over the same period in 2011 to approximately RMB246.5 million. Gross profit margin increased by 2.1 percentage points to 42.4%.

Profit attributable to equity holders of the Company for the period increased by 46.8% over the same period in 2011 to approximately RMB102.2 million, driven by the rapid growth in sales of our Frog Prince brand children's personal care products.

Basic earnings per share attributable to equity holders of the Company increased by approximately 8.6% over the same period in 2011 to RMB10.1 cents.

The board of directors (the "**Board**") of Prince Frog International Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2012 together with the audited comparative figures for the corresponding period in 2011 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(audited)
REVENUE	4	**582,017**	551,324
Cost of sales		**(335,485)**	(329,104)
Gross profit		**246,532**	222,220
Other income and gains	4	**4,823**	497
Selling and distribution costs		**(93,441)**	(98,687)
Administrative expenses		**(35,034)**	(33,302)
Other operating expenses		**(74)**	(241)
Finance costs	5	**(902)**	(1,776)
PROFIT BEFORE TAX	6	**121,904**	88,711
Income tax expense	7	**(19,679)**	(19,096)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD		**102,225**	69,615
EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	9		
Basic		**RMB10.1 cents**	RMB9.3 cents
Diluted		**RMB10.1 cents**	RMB9.3 cents

Details of the dividend are disclosed in note 8 to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
PROFIT FOR THE PERIOD	**102,225**	69,615
Other comprehensive income:		
Exchange differences on translating foreign operations	**1,103**	1,908
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD	**103,328**	71,523

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	**30 June 2012 *RMB'000* (unaudited)**	31 December 2011 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**151,706**	142,517
Prepaid land lease payments		**19,815**	20,032
Intangible assets		**5,223**	5,943
Prepayments and deposits		**5,075**	2,839
Total non-current assets		**181,819**	171,331
CURRENT ASSETS			
Inventories		**65,268**	74,518
Trade and bills receivables	10	**178,675**	92,999
Amount due from a related company		**4,037**	7,691
Prepayments, deposits and other receivables		**17,830**	7,233
Available-for-sale investments		**33,000**	—
Pledged deposits		**504**	1,096
Cash and cash equivalents		**675,874**	735,597
Total current assets		**975,188**	919,134

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2012

	Notes	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	11	**87,768**	80,595
Other payables and accruals		**42,208**	24,570
Interest-bearing bank borrowings		**—**	30,000
Tax payable		**11,844**	6,948
Total current liabilities		**141,820**	142,113
NET CURRENT ASSETS		**833,368**	777,021
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,015,187**	948,352
Net assets		**1,015,187**	948,352
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**8,368**	8,368
Reserves		**1,006,819**	939,984
Total equity		**1,015,187**	948,352

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Prince Frog International Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 11 January 2011. The Company's registered office is located at the office of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. During the period ended 30 June 2012, the Company's principal place of business changed from No.8 North Huancheng Road, Longwen Industrial Development Zone, Zhangzhou City, Fujian Province, the People's Republic of China (the "**PRC**") to No. 40 North Huancheng Road, Longwen Industrial Development Zone, Zhangzhou City, Fujian Province, the PRC due to district planning of local government. The principal place is not relocated, but the street number was changed from 8 to 40.

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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements under Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, except in relation to the following new and revised International Financial Reporting Standards ("**new IFRSs**") which are effective for the Group's financial year beginning on 1 January 2012.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

The adoption of the above new IFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

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.

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 2012					
Segment revenue:					
Sales to external customers	395,999	134,898	26,589	24,531	582,017
Segment results	176,473	34,221	6,683	4,754	222,131
Interest income					3,489
Other unallocated gains					1,334
Corporate and other unallocated expenses					(104,148)
Finance costs					(902)
Profit before tax					121,904
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

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:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Revenue		
Sales of goods	**582,017**	551,324
Other income and gains		
Bank interest income	**3,489**	200
Government subsidies*	**887**	102
Net fair value gains on foreign exchange derivative financial instruments — transactions not qualified as hedges	**129**	94
Others	**318**	101
	4,823	497
	586,840	551,821

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

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Interest on bank borrowings wholly repayable within five years	**902**	1,776

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Cost of inventories sold	**335,485**	329,104
Depreciation	**4,784**	2,321
Amortisation of prepaid land lease payments	**217**	217
Amortisation of intangible assets	**720**	245

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 (2011: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Current — Mainland China		
Charge for the period	**19,679**	19,096

8. DIVIDEND

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
<u>Dividend paid during the period</u>		
Final in respect of the financial year ended 31 December 2011 – HK4.5 cents (approximately RMB3.7 cents) (2011: Nil) per ordinary share	**36,862**	–

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to the equity holders of the Company of RMB102,225,000 (2011: RMB69,615,000) and the ordinary shares of 1,008,250,000 in issue during the six months ended 30 June 2012.

The number of ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 June 2011 was calculated on the assumption that the pro forma issued share capital of the Company of 750,000,000 shares had been in issue throughout that period, 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.

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

The calculation of diluted earnings per share amount is based on the profit for the period attributable to the equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period ended 30 June 2012, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares during the period of 3,446,326 (2011: Nil).

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2011 as the Group has no potentially diluted ordinary shares in issue and therefore no diluting events existed throughout that period.

10. TRADE AND BILLS RECEIVABLES

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**178,475**	92,999
Bills receivable	**200**	—
	178,675	92,999

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

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

10. 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:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days	**142,970**	74,682
31 to 60 days	**30,436**	17,233
61 to 90 days	**2,543**	767
91 to 180 days	**2,726**	317
	178,675	92,999

11. TRADE AND BILLS PAYABLES

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**49,251**	75,273
1 to 3 months	**38,217**	4,901
3 to 6 months	**300**	421
	87,768	80,595

The trade and bills payable are non-interest-bearing and are normally settled on one to six months' terms.

Trade payables of the Group also included an amount of RMB595,000 due to a related company as at 30 June 2012 (as at 31 December 2011: Nil). The balance was unsecured, interest-free and repayable in accordance with normal trading terms.

12. CAPITAL COMMITMENTS

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

	30 June 2012 *RMB'000* **(unaudited)**	31 December 2011 *RMB'000* (audited)
Contracted, but not provided for:		
Construction of buildings	**73,266**	67,370
Purchase of items of property, plant and equipment	**6,292**	2,782
Purchase of intangible assets	**2,071**	—
	81,629	70,152
Contracted for commitment in respect of investment in a wholly-foreign-owned subsidiary in the PRC	**—**	94,514
	81,629	164,666

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2012, the Company continued to leverage its branding to further expand its sales channels in second, third and fourth-tier cities while proactively developing its sales channels in the first-tier markets. In the first half of 2012, the Company achieved robust and rapid growth in its operation and received a number of industry awards and professional qualification certifications:

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

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

— On 19 April 2012, the Company passed the accreditation of "Cosmetics-Guidelines on Good Manufacturing Practices (2008)" of U.S. Food and Drug Administration.

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

— On 24 April 2012, the Company was awarded the "2012 Jingzheng Outstanding Contribution Award in the Pregnancy, Babies and Children's Product Category" by *China National Committee for the Wellbeing of the Youth, China Women's News, Infant Work Department of Career Development Centre, Parenting Science magazine, BAMC Top Baby TV, Beijing Jingzheng Exhibition & Show Co., Ltd., China Trade News and Organization Committee of Jingzheng Mother-Infant-Child Products Fair.*

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

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

Business Review

For the six months ended 30 June 2012, the Group recorded sales revenue of approximately RMB582.0 million, representing a growth of 5.6% over the RMB551.3 million for the corresponding period in 2011. Gross profit margin of the Group increased by 2.1 percentage points to 42.4% as compared to 40.3% for the corresponding period in 2011. Profit attributable to the equity holders of the Company for the period grew by 46.8% to approximately RMB102.2 million as compared to RMB69.6 million for the corresponding period in 2011.

In particular, children's personal care products under the Frog Prince brand, the principal business of the Group, recorded rapid growth in sales in the first half of 2012, representing a growth of 29.0% over the same period in 2011 to approximately RMB396.0 million, mainly attributable to the following reasons:

1. Listing led to stronger brand awareness. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in July 2011 and signed Kelly Chen as its spokesperson in December 2011, which two events have greatly raised brand awareness of the Frog Prince brand.

2. More efforts in brand promotion. Endorsed by Kelly Chen, Frog Prince's products continually impressed customers in the first half of 2012 through advertisements on TV and print media as well as shop signs and product labels featuring Kelly Chen. The Group further promoted its brand by proactively participating in industry exhibitions and charitable activities.

3. Focus on principal business. In 2012, we kept the Frog Prince brand as our operational focus, diversified our portfolio by introducing new products, and optimized the structure of children's personal care products by penetrating into new markets. As a result, our products for the summer such as shampoo, bath products and floral water products recorded significant growth in sales.

Baby and children's personal care products are mass consumer products. As a result of the implementation of the one-child policy in China, Chinese families tend to devote more love and money on their only child, thus sheltering the baby and children's personal care sector from China's macroeconomic conditions. As the Group further raises brand awareness of the Frog Prince brand, expands sales channels and increases production capacity, the Group expects the sales of the Frog Prince brand products to continue to grow.

In addition, the orders of OEM business, the Group's non-principal operation, declined due to the downturn of the global economy and lack of focus and marketing activities to developing the business segment. The sales of the OEM segment decreased from RMB52.6 million for the six months ended 30 June 2011 to approximately RMB24.5 million for the six months ended 30 June 2012. Sales from the household hygiene products business, another non-principal business segment of the Group, decreased by 17.0% to approximately RMB134.9 million for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB162.5 million) due to the delayed summer weather and more rainy days.

In conclusion, the Group will continue to focus on developing its principal business to achieve increasing returns and better results for the shareholders. We are confident of the future development of the Group.

Sales Channels

While aggressively expanding in first-tier cities, the Group penetrated deeper into second, third and fourth-tier cities. As at 30 June 2012, the Group had 183 distributors (31 December 2011: 185). The Group believes that revenue contribution from major supermarket chains as a percentage of the total revenue will continue to grow. In the first half of 2012, the Group took its products into nearly 3,000 small and large supermarket stores in China, including Carrefour, Hualian, Suguo and Meet All. In June 2012, Frog Prince made its way into the 'Kidswant' stores located in Hengshun Plaza and Shengyuan Plaza in Shanghai, which marked a successful development of commercial channels of the pregnancy, baby and children's products industry and significantly enhanced the brand awareness of Frog Prince. The Group believes that expanding and strengthening the sales network in China will not only raise the brand awareness of the Group but also drive up its revenue and profit.

In addition, as at the date of this announcement, the Group has officially launched the e-commerce online sales channels and moved into the Tmall of Taobao and 360buy.com. In the second half of the year, the Group will launch products on other mainstream e-commerce platforms.

The Group has always been dedicated to maintaining favourable cooperative relationship with distributors, meeting and communicating with them on a regular basis. In January 2012, the Group held a national networking event for excellent distributors in Xiamen, during which the Group invited renowned marketing gurus to provide training for outstanding distributors from around the country. The event was well received and further facilitated good communication and interaction between the senior executives of the Group and distributors.

Brand Building

- ***Famous star as spokesperson to promote the brand***

  With one of Asia's most popular artists, Kelly Chan, as the spokesperson for the Company in the first half of the year, the Frog Prince brand has entered into a new era of development. Kelly is well-known for her commitment to charitable causes and her love of children, which matches Frog Prince's brand positioning well with its focus on children. Frog Prince leveraged the good reputation and fame of Kelly as its spokesperson to launch a new advertising campaign through print, TV, billboards, the metro, automobile wraps, points of sale display and online media as well as a series of marketing initiatives. Frog Prince filmed new advertisements and took new promotional pictures featuring Kelly for broadcasting and display on famous domestic TV channels and at large-scale promotional events, which provided great publicity for our brand. We believe collaboration with such an influential artist will enable a big leap in Frog Prince's brand development.

- ***Innovative animation marketing***

  As the Frog Prince animation series will be an important means of brand promotion, the Group hopes to spur brand awareness by enabling more children to watch domestically produced quality cartoons. In May 2012, the Group held a press conference in Beijing for its third season of the animation series 'Frog Prince — Croaking School of Witchcraft and Wizardry' and finalized its main crew. The success of the first and second seasons of the animation series has led to the launch of the third season of 'Frog Prince — Croaking School of Witchcraft and Wizardry', which is jointly produced by the Group and the School of Animation of Beijing Film Academy, a pioneer of China's cartoon industry. The series is expected to premier in China in July 2013. The Group believes that the upcoming third season will enhance the brand awareness and image of Frog Prince and the Group is confident that the new season will be a success and spur the growth in the business of the Group.

- ***Ongoing traditional offline promotion campaigns***

  In the first half of 2012, the Group actively held various types of brand promotion and sales promotion campaigns in different regions including Ankang, Daqing, Wuhan, Shanghai, Ji'an, Cangzhou, Shandong, Pingliang and Nanchang: e.g. celebrating 'June 1' International Children's Day, a series of promotion activities with the theme of 'Children's hearts lighting up the city' (童心『慧』全城), a series of activities such as diverse stacking patterns of products, distribution of giveaways and promotional items and special promotions. These promotions were held in different areas on an ongoing basis, and have effectively increased the visibility of the Group's brand.

- ***New Internet marketing initiatives***

  In addition, the Group stepped up its marketing efforts on online sales platforms in the first half of 2012, making use of online advertorials, microblogs, online parent-child shared platforms and online events for marketing.

- ***New baby and maternal brand***

  In mid-July 2012, the Group officially launched a new brand 'Ein.b' at the Shanghai Fair for Maternal and Baby Products, in a drive to create new mid to high-end personal care products in China for pre-conception, in-pregnancy and postpartum mothers and 0-3-year-old babies. The launch of the 'Ein.b' brand is the first step to implement the Group's diversified business strategy for multi-brand baby and children's personal care products and has resulted in a more complete brand mix and more comprehensive product lines. Furthermore, the Group's acquisition of the 'Ein.b' brand reflects our move to align our products with mid to high-end consumers by introducing advanced foreign technology and brand concept.

  By way of professionally executed promotional activities, a unique cartoon culture and vigorous online and offline publicity campaigns, Frog Prince has successfully increased its brand presence and sales, further developed brand perception among consumers, and given stronger confidence in Frog Prince products to supermarkets and distributors at large.

Social Responsibility

In the middle of March 2012, the Company sponsored three charitable fairy tale musicals, 'Moon Fairy and the Duludidu Farm' staged in the National Centre for the Performing Arts in Beijing. The musical was written, directed and performed by hosts of famous CCTV children's channels of China, delivering first-rate choreography and beautiful and touching music, and leading children to feel the theme of 'Hard work makes dreams come true'. Free tickets were offered to various underprivileged groups — schools for rural migrant workers' children in Beijing, representatives of prisoners' and migrant workers' children, children in welfare organizations, children suffering from burns and representatives of the orphans from earthquake stricken Yushu — so that they could experience the love of Frog Prince and feel the theme of 'Working hard for your dreams'.

On 26 May 2012, the Group, together with more than 30 entrepreneurs and representatives from different sectors, attended the event entitled 'Tender Care for Children' sponsored by China Charities Aid Foundation for Children — Blue Bird Seeds (青鳥種子), at which the 'Love Convention for Half-day Holiday on June 1' was signed, promising and calling on more enterprises to give half-day leave on International Children's Day to employees with children's under 14 years old so that parents may spend more time with their children and give their children more love.

On 16 June 2012, the public lecture 'Is Your Love Right' co-sponsored by the Group and China Charities Aid Foundation for Children — Blue Bird Seeds (青鳥種子) was successfully presented in Shanghai. The lecture brought together well known hosts of CCTV children's channels and several children's educational experts to have a thoughtful discussion about parents' 'love' for their children. The Group hoped to provoke reflection and discussion among the whole society about children's education by providing this platform.

The Group was proactively involved in many charitable events in Zhangzhou, e.g. 'Disabled Day' campaign with Disabled Person's Federation of Zhangzhou, Zhangzhou 'Frog Prince-Fly with your Dream' celebration show of 'June 1' and 'Frog Prince' Cup of 2011-2012 Primary and Secondary School variety show in Zhangzhou.

FINANCIAL REVIEW

For the six months ended 30 June 2012, revenue of the Group was approximately RMB582.0 million, representing an increase of 5.6% as compared to RMB551.3 million for the six months ended 30 June 2011. Revenue of children's personal care products during the reporting period was approximately RMB396.0 million, representing an increase of 29.0% over the same period of last year (six months ended 30 June 2011: RMB306.9 million). Revenue of household hygiene products was approximately RMB134.9 million, representing a decrease of 17.0% as compared to RMB162.5 million for the six months ended 30 June 2011. Revenue of other products, including OEM products, decreased to approximately RMB24.5 million, representing a decrease of 53.4% as compared to RMB52.6 million for the six months ended 30 June 2011. Revenue of adult's personal care products was approximately RMB26.6 million, representing a decrease of 9.5% as compared to RMB29.4 million for the six months ended 30 June 2011. Meanwhile, the Group further strengthened brand building through the Frog Prince animation series, commercial advertisements and in-store promotion activities and optimized its product portfolio. Accordingly, the revenue of the Group's principal business recorded stable growth.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the six months ended 30 June 2012 was approximately RMB246.5 million, representing an increase of 10.9% as compared to RMB222.2 million for the six months ended 30 June 2011. During the reporting period, gross profit margin increased by 2.1 percentage points to 42.4% as compared to 40.3% for the six months ended 30 June 2011. It was mainly due to (1) an increase in revenue of the KA series products with higher gross profit margin by more than double to approximately RMB52.2 million from RMB23.0 million for the same period of last year; (2) improved productivity of the new industrial park this year after the half-year run-in period; and (3) decrease in prices of certain raw materials.

Selling and Distribution Costs

Selling and distribution costs primarily represented advertising expenses, marketing and promotion expenses, transportation costs and other expenses. Selling and distribution costs amounted to approximately RMB93.4 million for the six months ended 30 June 2012, representing a decrease of approximately 5.4% as compared to RMB98.7 million for the six months ended 30 June 2011. Selling and distribution costs accounted for 16.1% of the Group's revenue during the reporting period, representing a decrease of 1.8 percentage points as compared to 17.9% for the six months ended 30 June 2011.

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages to our administrative staff, depreciation, other taxes and other administrative expenses. For the six months ended 30 June 2012, administrative expenses amounted to approximately RMB35.0 million (six months ended 30 June 2011: RMB33.3 million). The slight increase in administrative expenses was mainly due to the rise in average staff wages and the remuneration for newly recruited senior executives. Administrative expenses accounted for 6.0% of the Group's revenue during the reporting period (six months ended 30 June 2011: 6.0%).

Finance Costs

For the six months ended 30 June 2012, finance costs decreased significantly to approximately RMB0.9 million (six months ended 30 June 2011: RMB1.8 million), mainly due to the decrease in interest on bank borrowings as we repaid all our bank borrowings during the six months ended 30 June 2012.

Net Profit and Net Profit Margin

For the six months ended 30 June 2012, profit attributable to the equity holders of the Company amounted to approximately RMB102.2 million, representing an increase of 46.8% as compared to RMB69.6 million for the six months ended 30 June 2011. Net profit margin increased by 5.0 percentage points to 17.6% from 12.6% for the six months ended 30 June 2011 with basic earnings per share being RMB10.1 cents (six months ended 30 June 2011: RMB9.3 cents), primarily as a result of increase in our gross profit margin and decrease in selling and distribution costs as a percentage of sales.

Capital Expenditure

For the six months ended 30 June 2012, major capital expenditure of the Group amounted to approximately RMB14.0 million, including that incurred in the construction of the phase II and phase III of the new plant at the new industrial park in Longwen Industrial Development Zone, Zhangzhou, Fujian Province, the PRC.

Financial Resources and Liquidity

As at 30 June 2012, cash and cash equivalents of the Group amounted to approximately RMB675.9 million (31 December 2011: RMB735.6 million). Current ratio was 6.9 (31 December 2011: 6.5) while gearing ratio (bank borrowings to total equity) was zero (31 December 2011: 3.2%). Our liquidity remains healthy.

Trade and Bills Receivables Turnover Days

During the reporting period, trade and bills receivables turnover days came to 42 days (year ended 31 December 2011: 22 days), calculated as the average of the beginning and ending balances of trade and bills receivables for the period/year divided by total revenue for the period/year and multiplied by 180 days for half year/365 days for a year. The Group usually grants a credit period of 30-60 days to our customers and the trade and bills receivables turnover days was within the normal credit period. The increase in trade and bills receivables turnover days during the period was mainly due to the increase in trade and bills receivables balance as at period end and seasonality. Trade and bills receivables turnover days for the six months ended 30 June 2011 was 37 days and was comparable to 42 days for the six months ended 30 June 2012.

The increase in trade and bills receivables as of 30 June 2012 was mainly due to the seasonal factor where June is the high season and December is the low season of the year, and a rapid increase in the Group's monthly sales in June as a result of increased marketing efforts throughout China before the 'June 1' International Children's Day and students' summer vacation. The Group considered such balances normal and healthy.

Based on past experience, the Group is of the opinion that no provision for impairment is necessary as at 30 June 2012 as there has not been a significant change in credit quality and all of the balances are considered fully recoverable.

Trade and Bills Payables Turnover Days

During the reporting period, trade and bills payables turnover days came to 45 days (six months ended 30 June 2011: 42 days; year ended 31 December 2011: 29 days), calculated as the average of the beginning and ending balances of trade and bills payables for the period/year divided by cost of sales for the period/year and multiplied by 180 days for half year/365 days for a year. The increase in trade and bills payables turnover days was mainly due to the better payment terms obtained by the Group as we had more bargaining power as a listed company when making bulk purchases from suppliers. The Group settled payables normally in one to six months with good payment history.

Inventory Turnover Days

During the reporting period, inventory turnover days came to 38 days (six months ended 30 June 2011: 25 days; year ended 31 December 2011: 27 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 for half year/365 days for a year. The increase in inventory turnover days was mainly due to strategic restocking in response to sales growth.

Bank Borrowings

As at 30 June 2012, the Group had no bank loans (as at 31 December 2011: RMB30.0 million).

Available-for-sale Investments

As at 30 June 2012, the Group had invested in certain financial products offered by major banks in Mainland China of RMB33.0 million. The unlisted available-for-sale equity investments of the Group with carrying amounts of RMB33.0 million as at 30 June 2012 (as at 31 December 2011: Nil) is measured at cost less impairment.

Risk of Foreign Exchange

As at 30 June 2012, the Group was not exposed to any major risks of foreign exchange fluctuations and did not sign any new foreign exchange forward contracts to hedge against foreign exchange fluctuations.

Contingent Liabilities

As at 30 June 2012, the Group did not have any material contingent liabilities (31 December 2011: Nil).

Future Prospects

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

In response to changing needs and trends, the Group will continue to expand its product portfolio and diversify its product strategy to enhance customer loyalty. The Group plans to launch a high quality and high-end product line that targets international and major domestic supermarket chain customers.

2012 will be a year when Prince Frog sets off on the next phase of expansion and development in the Company's history and scales to new heights. As a leader of children's personal care product manufacturing in China, we are presented with enormous opportunities brought about by the fast expansion of China's domestic market. We are committed to aiming higher, achieving the best results and returns for our shareholders by following on our core value and leveraging on our mission and passion of being a leading manufacturer focused on children's personal care products.

EMPLOYEES AND REMUNERATION

As at 30 June 2012, the Group employed 1,750 employees (as at 31 December 2011: 1,314 employees). In addition to basic salaries, year-end bonuses may be offered to those staff members with outstanding performance. Members of the Group established in Mainland China 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 Mainland China 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 on 22 June 2011 to reward staff members who make contributions 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 training to its employees to help them to master relevant skills.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2012, the Company repurchased its 1,000,000 shares on the Stock Exchange. Such shares were cancelled on 16 July 2012.

Details of the share repurchase are summarized as follows:

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend to shareholders of the Company for the six months ended 30 June 2012.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's three independent non-executive directors, has reviewed the unaudited condensed consolidated results of the Company for the six months ended 30 June 2012, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the former Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the new Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 as contained in Appendix 14 to the Listing Rules, except for the following deviations:

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Li Zhenhui ("**Mr. Li**") currently holds the 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.

Code Provision A.6.7

The former non-executive director and one of the independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 23 May 2012 due to their unavoidable business engagement.

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 during the six months ended 30 June 2012.

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 2012, 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
22 August 2012

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