



Prince Frog International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1259

2013 ANNUAL REPORT



This Annual Report, in both English and Chinese versions, is available on the Company's website at www.princefrog.com.cn.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (the "Corporate Communications").

Shareholders may send their request to change their choice of language(s) of Corporate Communications by 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 who have chosen to receive the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this Annual Report since both languages are bound together into one booklet.

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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

Independent Non-executive Directors

Mr. Chen Shaojun

Mr. Ren Yunan

Mr. Wong Wai Ming

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. Ren Yunan (*Chairman*)

Mr. Li Zhenhui

Mr. Wong Wai Ming

JOINT COMPANY SECRETARIES

Ms. Huang Yishan

Ms. So Yee Kwan

AUDITORS

Ernst & Young

PRINCIPAL BANKER

Agricultural Bank of China Limited
Zhangzhou Branch

STOCK CODE

1259

COMPANY WEBSITE

www.princefrog.com.cn

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. 162, North Huancheng Road
Longwen Industrial Development Zone
Zhangzhou, Fujian
The People's Republic of China

Corporate Information (continued)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 602A-3, 6/F
Ocean Centre, Harbour City
5 Canton Road, Tsimshatsui
Kowloon, Hong Kong

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands



Chairman's Statement

On behalf of the board of directors (the "Board") of Prince Frog International Holdings Limited ("Prince Frog" or the "Company", together with its subsidiaries, the "Group", stock code: 1259.HK), I would like to present the financial results and operating performance of the Group for the year ended 31 December 2013 to the shareholders.

In 2013, the Group continued to focus on personal care products for 3-12 years old children, committing to provide protection to Chinese children for their health and happiness. Looking back to the year, the brand building remained the crucial task of the Group. The core consumer group was further identified, which together with precise positioning and marketing strategy in the market, contributed to the remarkable development in the brand reputation of Frog Prince over the year.

For the year ended 31 December 2013, the Group's operating revenue amounted to approximately RMB1,712.2 million, representing an increase of about 8.9% over the corresponding period in 2012. Profit before tax amounted to approximately RMB309.6 million, representing an increase of about 3.7% as compared to the corresponding period in 2012. Basic earnings per share were approximately RMB19.8 cents and the proposed dividend was HK5.0 cents (approximately RMB3.9 cents) per share.

In 2013, the Company increased its expenditures in advertisement and promotion, including being the title sponsor of Scarab Castle (《金龜子城堡》), a program that broadcast in the children's channel of CCTV, and being the cosponsor of "Where Are We Going, Dad?" (《爸爸去哪兒》), a star parent-child entertainment show launched by Hunan STV. In addition, the "Frog Prince School" (《蛙蛙學校》), the third season of Frog Prince animation series produced by the Company has been newly released and a variety of charity activities were carried out. Thanks to these endeavors, Prince Frog made significant progress in brand recognition in the year.

Chairman's Statement (continued)

On behalf of the Board, I would like to take this opportunity to express my gratitude to all our employees and the management for their contribution in the past year. I would also like to extend my appreciation to all our shareholders for their support and recognition of the Group's mission and strategies for the future.

Looking forward, Prince Frog will unswervingly continue its mission in the children's personal care industry in 2014. We will continue to increase the value of our core brand through resource investment and focus our efforts on being a leading children's personal care brand in China. Each and everyone of us in Prince Frog will go all out to bring high returns to our shareholders.

Prince Frog International Holdings Limited

Chairman

Mr. Li Zhenhui

26 March 2014



Management Discussion and Analysis

In 2013, the Group, leveraging its solid brand image, further expanded its sales channels in second, third and fourth-tier cities of the People's Republic of China (the "PRC") to consolidate its market leading position. The Group also actively opened up sales channels in large supermarket chains in first-tier cities and other places in China. Thanks to those efforts, the Group gained its presence in 3,133 additional stores compared with the end of 2012, including 398 key account ("KA") stores. The Group actively expanded its channels whilst improving the sales through various promotional activities. In 2013, the Group achieved solid growth in its operating results and was honoured with a number of industry awards while actively seeking external collaboration:

- On 11 January 2013, the Group joined forces with China National Institute of Standardization to set up China's first "Standardization Research Base for Cosmetic Products for Chinese Children" (中國兒童化妝品標準化研究基地) in the new industrial park of Prince Frog.
- On 15 March 2013, Frog Prince branded babies' and children's personal care products were honoured as "Stable Qualified Products in National Quality Inspection" (全國品質檢驗穩定合格產品) by China Quality Inspection Association.
- On 15 March 2013, the Company was awarded the title of "Excellent Enterprise for Trustworthy Quality in China" (全國品質誠信承諾優秀企業) by China Quality Inspection Association.
- On 20 March 2013, the Company was awarded the "Most Popular Skin and Hair Care Product of 2012" (2012年度最受歡迎洗護用品品牌) in the "Top 100 Brands for Babies and Children in China" (中國嬰童品牌百強) jointly held by Xinhua Baby (新華親子), Qinbei Net (親貝網) and the Industrial Research Center for Baby and Children Products (嬰童產業研究中心).
- On 20 May 2013, the Company was listed among the "Leading Brands of the 18th China Beauty Expo" (第十八屆中國美容博覽會領銜品牌) granted by the Organization Committee of the 18th China Beauty Expo (Shanghai CBE).



Management Discussion and Analysis (continued)

- On 22 May 2013, the Company was awarded the title of “360 Cosmetics Cup — Most Pioneering O2O e-Commerce Company” (360化妝品杯•最新銳O2O電商企業) in the “Chinese O2O e-Commerce Seminar” jointly hosted by 360xh.com (360 化妝品網), 360° Media Group (360°傳媒集團) and the Asian Association of Washing Products and Cosmetics (亞洲洗滌化妝品協會).
- On 3 June 2013, the Company joined forces with South China University of Technology in setting up China’s first “Children’s Cosmetics Research Base of the Department of Applied Chemistry of South China University of Technology” (華南理工大學應用化學系兒童化妝品科研基地).
- On 1 August 2013, the Company was awarded “Technology-oriented Enterprise in Fujian” (福建省科技型企業) by the Science and Technology Department of Fujian Province.
- On 11 September 2013, the cartoon image of Prince Frog was ranked one of the top 10 in the “Cartoon Images of the Year on the List of Cartoon China Gala, 2012-2013” (2012-2013動漫中國風雲盛典動漫風雲榜年度動漫形象) by Cartoon Commission of the Chinese TV Artists Association (中國電視藝術家協會卡通藝術委員會), China Cartoon Industry Forum (中國卡通產業論壇) and China A&C Source (中國動漫資源網).
- On 25 September 2013, the Company assumed the role of vice president of the China Association of Fragrance Flavour and Cosmetics Industry (中國香料香精化妝品工業協會).
- On 20 November 2013, the Company was named “Innovation Center for Industrial Design of Zhangzhou” (漳州市工業設計創新中心) by Zhangzhou Municipal Government.
- In November 2013, the 30-second TV advertisement of Frog Prince Children’s Moisturizer ranked second in “API” in terms of creative effects for daily cosmetics commercial, and ranked first in “API” in terms of creative effects for babies’ and toddlers’ products.



Management Discussion and Analysis (continued)

- On 6 December 2013, the Company was awarded as the “Influential Commercial Brands in China 2013” (2013中國商業品牌影響獎) by the magazine Retail World (《零售世界》).
- On 18 December 2013, the brand of Frog Prince of the Company was ranked in the first place in the category of children’s products on the “Ranking of Chinese Cosmetic Brands” (「中國化妝品品牌排行榜」兒童品類第一名) by Cosmetic Newspaper (《化妝品報》).

BUSINESS REVIEW

For the year ended 31 December 2013, the Group recorded revenue of approximately RMB1,712.2 million, representing a growth of about 8.9% over RMB1,572.1 million for the corresponding period in 2012; of which, revenue from children’s personal care products amounted to approximately RMB1,518.9 million, representing an increase of about 18.9% over RMB1,277.6 million for the corresponding period in 2012. For the year ended 31 December 2013, the gross profit margin of the Group increased by around 1.4 percentage points to approximately 47.3% as compared with 45.9% for the corresponding period in 2012. For the year ended 31 December 2013, the profit before tax of the Group was approximately RMB309.6 million, representing an increase of about 3.7% as compared with the corresponding period in 2012. For the year ended 31 December 2013, the net profit of the Group was approximately RMB199.6 million, representing a decrease of about 17.2% as compared with RMB241.1 million for the corresponding period in 2012.



Management Discussion and Analysis (continued)

The reasons of the steady growth of the core business of the Group in 2013 are as follows:

1. Differentiated animation marketing strategies

In 2013, the Group continued its adherence to differentiated animation marketing strategies and further promoted its brand by means of interstitial advertising. The second season, with 52 episodes, of the Company's Frog Prince animation series "The Frog Prince — Croaking Expedition" (《青蛙王子之蛙蛙探險隊》) had been replayed by means of interstitial advertising on 119 provincial and local TV stations of 26 provinces nationwide in 2013. In addition, the production of the third season (totalling 52 episodes) of the Frog Prince animation series "Frog Prince School" (《蛙蛙學校》) has been newly released on CCTV children's channel on 15 November 2013. As at the date of this report, it has been released by means of interstitial advertising on 137 provincial and local TV stations, and also on online video platforms such as Iqiyi (愛奇藝) and Letv (樂視視頻). It is expected to be gradually launched on over 300 TV stations nationwide in 2014. To support the launch of the animation series, the grand animation puppet theatre drama "Frog Prince — Magic Abyss" (《青蛙王子之魔法深淵》) has been performed for 27 consecutive times at the major theatres in five cities nationwide (Beijing, Qingdao, Tianjin, Shijiazhuang and Wuhan), with Frog Prince's products sold at performance venues and the local promotion campaigns at the terminal hypermarket, which are intended for in-depth promotion of the Frog Prince brand and the cartoon image.

The Group entered into a strategic collaboration agreement with Hangzhou Magic Mall Animation Production Co., Ltd. (杭州漫奇妙動漫製作有限公司), a major animation enterprise in China on 11 May 2013, and both parties will further collaborate in differentiated marketing of the Frog Prince animation series.

2. Promotion by way of superstar spokesperson

The Group further leveraged the fame of Ms. Kelly Chen, one of Asia's most popular artists, as the spokesperson of the Frog Prince brand in the form of advertising through print, TV, light boxes, billboards, the metro, vehicle wraps on public transport, retail outlet display and online media, accompanied with a series of ground marketing initiatives. In the meantime, Ms. Kelly Chen has also included 'Seven-coloured Dreams', the theme song of "Frog Prince School", in her latest 2013 Cantonese music album.

Management Discussion and Analysis (continued)

3. Sponsoring hot TV shows to strengthen the brand promotion

The Group entered into a strategic collaboration agreement with CCTV children's channel for 2013 to be a title sponsor for Scarab Castle (《金龜子城堡》), a popular children's TV show broadcasted in the aforesaid channel at weekends. In late October 2013, the Group co-sponsored a star parent-child entertainment show in China, "Where Are We Going, Dad?" (《爸爸去哪兒》), released in famous entertainment satellite channel, Hunan STV. As the show became a hit, the Group promoted the offline activity themed "I Have Grown Up, Dad", which consolidated the status of the brand "Frog Prince" in the mind of the consumers. In the meantime, the Group sponsored the movie "Where Are We Going, Dad", which was released on the first day of the 2014 Chinese Lunar New Year. The pre-movie advertisement drew much attention from the audience, and had positive effects on the promotion of the brand.

4. Vigorous expansion of sales channels

In 2013, while tapping further into conventional sales channels, the Group also actively opened up new markets, continuously distributing products to supermarkets and convenience stores via distributors. Distributors increased from 197 as at the end of 2012 to 214, spreading from provinces to autonomous regions all across the country. The e-commerce channel was also covered. During 2013, the Group gained a presence in 3,133 large and small supermarket stores in China, including 398 international and regional KA stores such as RT-MART, CR Vanguard (Northeast region), Lotus, Lotte Mart, Xi'an Renrenle, etc., which greatly raised the brand profile of Frog Prince.

In addition, the Group actively expanded the e-commerce sales channels, establishing a sales model including 249 online distributors with Tmall (www.tmall.com) as the core, coupled with the expansion of Jingdong Mall (www.jd.com), E-Commerce China dangdang Inc. (www.dangdang.com), Amazon (www.amazon.cn), Yihaodian (www.yihaodian.com) and other mainstream e-commerce platforms and online distribution business. It also boosted e-commerce sales by conducting a variety of online marketing activities continuously.

5. Launch of diverse promotion campaigns

In 2013, the Group continuously staged different themes of on-site promotional events across the country, such as the large-scale offline promotion activities staged over 2,000 times across the country under the themes of "Approaching Nature for Happy Growth" (親親自然、快樂成長) and "Lighting up the City and Happy Children's Day" (快樂六一、慧享全城) in April and May respectively and the large-scale offline promotion activities staged on "June 1" International Children's Day in over 80 cities nationwide under the theme of "Having a Happy Children's Day Hand-in-hand" (拉鈎一起過、滋潤六一節), together with the launch of "Children's Day" discount packages and other products. During the National Day holiday, the Group had held over 1,300 large-scale promotional events themed "Holiday Offers with Creamy Joy" (假期大派送、歡樂「購」滋潤). In the fourth quarter of 2013, nearly 600 large-scale promotional events themed "I Have Grown Up, Dad — Frog Prince Children's Moisturizer Specially for Children Aged 3-12". In 2013, the Group also held nearly 2,000 weekend promotional activities in the key chain supermarket stores all over China.

Management Discussion and Analysis (continued)

The Group continued with marketing and promotion via internet communication platforms in seven modes, including Weibo marketing, article marketing, knowledge marketing, Q&A marketing, search engine marketing, Internet media collaboration and information detection. Through an online competition titled 'Caring Mommy', large-scale online voting for 'A Future Nurtured in Dreams', test reports for trial use of products on the mother & baby vertical platform, and operation of three official Weibo accounts, we have set up two major online promotion platforms — a social communication platform in the form of social network site (SNS) and a news communication platform in the form of news portal for mother & baby communities, thus starting up communication via social media conducting one-way communication with millions of Internet users as well as two-way interactive communication.

EXCELLENCE IN QUALITY CONTROL

Product quality and safety control have always been management focus of the Group. Babies' and children's personal care products currently produced by the Group not only meet the national standards of China, but also comply with the requirements on the safety and specification for cosmetic products of the European Union. The production base located in the new industrial park of Prince Frog has passed the "Cosmetics — Guidelines on Good Manufacturing Practices (2008)" Certification System and "ISO22716:2007 (e) Cosmetics — Good Manufacturing Practices Standards (GMP)" of the United States Food and Drug Administration. Quality inspection is in place for all major production procedures, with routine and spot checks on all raw materials, semi-products and finished products to ensure perfect quality.

In 2013, the Group, leveraging the development of the "Standardization Research Base for Cosmetic Products for Chinese Children", established the Frog Prince standardization committee, which is responsible for collating and amending various management standards and work standards of the enterprise, and collecting relevant technical standards of the United States, European Union, Japan, South Korea and other countries and regions, so as to pave the way for the formulation of professional technical standards for cosmetics products for Chinese children. In the meantime, initiatives such as "Quality Month" and standardized production trainings have improved the on-site management, which follows the "5S" methodology, and raised the quality awareness of all the employees, especially the front-line employees, which has a positive influence on the succession of quality management of the Group.

Management Discussion and Analysis (continued)

MORE INVESTMENT IN RESEARCH & DEVELOPMENT (R&D)

In 2013, the Group scaled up its investment in R&D and set up jointly with South China University of Technology the first “Children’s Cosmetics Research Base of the Department of Applied Chemistry of South China University of Technology” in South China. We will continue to collaborate closely and will work together on a series of scientific research projects with a view to enhance the Group’s capabilities in R&D and applications of babies’ and children’s personal care products. In order to improve the professional skills of the technicians, the Group also organized seminars conducted by professors from colleges and universities as well as industrial experts on the professional skills of cosmetics, relevant laws and regulations, formula systems, etc. Meanwhile, we will actively collaborate with industry-leading product content suppliers, in fields such as plant extraction and formula optimization, to develop more natural and moisturizing products to strengthen our core competitiveness.

SOCIAL RESPONSIBILITY

The public lecture series “Are you loving in an appropriate way” (你愛對了嗎), cosponsored by the Group and Blue Bird Seeds (青鳥種子) of China Charities Aid Foundation for Children, a non-profit organization, continued to be conducted in 2013. Experienced child psychology consultants and education experts were invited to the lectures held in Chongqing, Shenyang, Changsha and Fuzhou to discuss perplexing issues encountered by parents in contemporary family education. The events were very well received by parents and teachers.

On 22 April 2013, the Group launched a donation initiative entitled “Love for Ya’an, Prince Frog in Action” (情繫雅安，青蛙王子愛在行動) and donations received from all the Group’s employees were transferred to China Charities Aid Foundation for Children for post-disaster mental health counselling for children.

On 11 May 2013, the Group and Blue Bird Seeds (青鳥種子) of China Charities Aid Foundation for Children, a non-profit organization, held a summit forum in Beijing on “Half-Day Holiday on June 1” (六一半天假) to discuss and promote the legislation of a “Half-Day Holiday on June 1” (六一半天假) and explore the topic of companionship of parents on Children’s Day. Ju Ping, a well-known hostess of children’s programmes and representatives of government agencies (including Li Qimin, vice president of China Charities Aid Foundation for Children), children’s education experts and legal experts participated in the discussion.

On 6 May 2013, the Group set up the Prince Frog Love Foundation for the purpose of providing help for employees in need. In addition to adopting “Half-Day Holiday on June 1” (六一半天假) as an internal practice, the Group launched various care activities on Children’s Day, such as giving generous gift packages to employees with children under the age of 14 and organizing “June 1 Love-for-Kids Day” (六一親子日) activities for employees and their children.

On 3 September 2013, the Group, together with over 100 non-profit organizations, held a large-scale charity event titled “Safeguard the Childhood” (守護童年) in Beijing. The Group announced its determination to assure the quality of products and services in order to provide a healthy environment for the growth of children. It also strongly condemned the behaviour of child abuse.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

For the year ended 31 December 2013, revenue of the Group was approximately RMB1,712.2 million, representing an increase of about 8.9% as compared to RMB1,572.1 million for the year ended 31 December 2012. After deducting the effects on revenue of ceasing the business of household hygiene products, the revenue from core children's personal care products was approximately RMB1,518.9 million, representing an increase of about 18.9% over the same period of last year (31 December 2012: RMB1,277.6 million); and revenue from other products, including OEM products and adults' personal care products, increased to approximately RMB193.3 million, representing an increase of about 26.7% as compared to RMB152.6 million for the year ended 31 December 2012. Revenue from products of KA series amounted to approximately RMB427.0 million, representing an increase of approximately 109.3% over the same period of last year (31 December 2012: RMB204 million). For the year ended 31 December 2013, the profit before tax was approximately RMB309.6 million (31 December 2012: RMB298.6 million), representing an increase of about 3.7% as compared with the corresponding period in 2012. Due to the change in income tax rate to which the Group entitled, for the year ended 31 December 2013, the net profit was approximately RMB199.6 million (31 December 2012: RMB241.1 million), representing a decrease of about 17.2% as compared with the corresponding period in 2012.

The household hygiene products segment, which was not a core business segment and ceased operations from 1 January 2013, did not generate any revenue for the year under review (revenue from this segment for the year ended 31 December 2012 amounted to RMB141.8 million).

The main factors contributing to the growth of core business were that the Group focused its efforts on developing the existing distribution channels for children's personal care products and increased the coverage of regional and large-scale supermarket chains, further strengthened brand building through the Frog Prince animation series, commercial advertisements and in-store promotion activities and optimized its product portfolio, thus leading to steady growth of revenue from the Group's principal business.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2013 was approximately RMB810.3 million, representing an increase of about 12.3% as compared to RMB721.6 million for the year ended 31 December 2012. During the year, the gross profit margin increased by around 1.4 percentage points over the same period of last year to about 47.3% (31 December 2012: 45.9%). The main factor contributing to the growth was that the Group ceased the business of household hygiene products on 1 January 2013, which had a lower gross profit margin. The gross profit margin for children's personal care products, the core business, was about 49.9%, representing a decrease of around 0.7 percentage point over the same period of last year (31 December 2012: 50.6%). The main reason was that the Group enhanced the marketing on children's hair and body washing products and dental care products through set packaging, gross profit of which was lower than that of single product.

Management Discussion and Analysis (continued)

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. Selling and distribution expenses amounted to approximately RMB423.4 million for the year ended 31 December 2013, representing an increase of about 18.3% as compared to RMB358.0 million for the year ended 31 December 2012. The selling and distribution expenses accounted for about 24.7% of the Group's revenue during the year, representing an increase of around 1.9 percentage points as compared to 22.8% for the year ended 31 December 2012. The increase was principally due to advertising and promotional expenses, which as a percentage of revenue have increased from 16.1% for the year ended 31 December 2012 to about 18% for the year ended 31 December 2013, representing an increase of around 1.9 percentage points. The main reason of the increase in such expenses was that the Group increased the promotional expenses at the terminal hypermarkets, including additional display stands and distribution of product samples and new sponsorship to the TV program "Where Are We Going, Dad?".

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, other taxes and other expenses. Administrative expenses amounted to approximately RMB89.3 million for the year ended 31 December 2013 (31 December 2012: RMB76.3 million), representing an increase of about 17.0%. The increase in administrative expenses was mainly due to the increase in the Group's employee benefits expense, taxes and consulting fee of third party. Administrative expenses accounted for about 5.2% of the Group's revenue during the year (31 December 2012: 4.9%).

Finance Costs

Finance costs of the Group only amounted to approximately RMB0.03 million for the year ended 31 December 2013 (31 December 2012: RMB0.9 million).

Net Profit and Net Profit Margin

For the year ended 31 December 2013, profit attributable to equity holders of the Company amounted to approximately RMB199.6 million, representing a decrease of about 17.2% as compared to RMB241.1 million for the year ended 31 December 2012. The net profit margin decreased by around 3.6 percentage points to about 11.7% from 15.3% for the year ended 31 December 2012, with basic earnings per share of approximately RMB19.8 cents (31 December 2012: RMB23.9 cents). This is principally due to the fact that the preferential income tax to which the Group entitled expired, and the income tax rate for the year ended 31 December 2013 increased to 25% (31 December 2012: 12.5%).

Management Discussion and Analysis (continued)

Capital Expenditure

For the year ended 31 December 2013, the Group's major capital expenditure amounted to approximately RMB230.6 million (31 December 2012: RMB42.6 million), including expenditure incurred in the construction of phases II and 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 31 December 2013, cash and cash equivalents of the Group amounted to approximately RMB858.6 million (31 December 2012: RMB642.9 million). The current ratio was 7.7 (31 December 2012: 10.0). Our liquidity remained healthy. The Group's holding of the above balance of cash and cash equivalents was mainly due to the following reasons: first, the construction and installation of phase III of the plant at the new industrial park of the Group have not been completed; second, to consolidate the marketing and promote the brand and products of the Group; third, the potential opportunity of acquisition.

Income tax rate

As at the date of this report, Prince Frog (China) Daily Chemicals Co., Ltd. , the subsidiary of the Group, has passed the certification for its hi-tech application by relevant authority (certificate number: GR201335000164). Relevant authority is still processing the work concerning preferential tax rate and tax holidays.

Trade Receivables Turnover Days

During the year, the Group's trade receivables turnover days came to 25.5 days (31 December 2012: 24.3 days), calculated as the average of the beginning and ending balances of trade receivables for the year divided by total revenue for the year and multiplied by 365/366 days. The Group usually grants a credit period of 30 to 60 days to our customers and therefore the trade receivables turnover days were within the normal credit period. The increase in trade receivables turnover days for the year was mainly due to the increase in the percentage of direct sales which has a longer payment period.

Trade and Bills Payables Turnover Days

During the year, trade and bills payables turnover days came to 27.9 days (31 December 2012: 31.4 days), calculated as the average of the beginning and ending balances of trade and bills payables for the year divided by cost of sales for the year and multiplied by 365/366 days. The decrease in trade and bills payables turnover days was mainly because the Group settled more promptly with suppliers with low liquidity but good credit standing.

Management Discussion and Analysis (continued)

Inventory Turnover Days

During the year, inventory turnover days came to 20.1 days (31 December 2012: 25.3 days), calculated as the average of the beginning and ending inventories for the year divided by cost of sales for the year and multiplied by 365/366 days. The decrease in inventory turnover days compared with the same period in 2012 was mainly due to the closure of three logistics centres of the Group in Changsha, Xi'an and Shanghai in order to manage inventories more effectively and enhance inventory management.

Gearing Ratio

As of 31 December 2013, current assets of the Group were RMB1,044.7 million, total assets were RMB1,468 million, current liabilities were approximately RMB135 million and total liabilities were RMB145.9 million. The gearing ratio (total liabilities/total assets) of the Group was 9.94% (31 December 2012: 8.29%).

Bank Borrowings

As at 31 December 2013, the Group had no bank borrowings (31 December 2012: Nil).

Pledge of Assets

As at 31 December 2013, the Group had no pledge of assets (31 December 2012: Nil).

Capital Structure

The major objective of the Group's capital management is to ensure the ability of ongoing operations and maintain a healthy capital ratio in order to support its business and maximize shareholders' interests. The Group continued to emphasize the appropriate mix of equity and debt to ensure an efficient capital structure to reduce capital cost.

Risk of Foreign Exchange

As at 31 December 2013, the Group was not exposed to any major risks from foreign exchange fluctuations and new foreign exchange forward contracts have been signed to hedge against foreign exchange fluctuations.

Contingent Liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities (31 December 2012: Nil).

Management Discussion and Analysis (continued)

FUTURE PROSPECTS

The potential market demand for babies' and children's personal care products is huge. Since the Chinese government initiated in the second half of 2013 the policy that if one of a couple is an only child, they are allowed to have two children (單獨兩孩政策), provinces and cities in China have officially implemented this policy successively. Influenced by the policy as well as the "baby boom echo" brought by the last baby boom in the 1980s, it is estimated that China might see another baby boom in the coming years, sustaining demand for children's personal care products. The Group will continue to focus on the development of this core business segment in the future. Our Frog Prince brand will target personal care products for children aged 3 to 12, leveraging its core brand value of "Better nourished babies, happier mothers" (孩子更滋潤，媽媽更開心).

With regard to distribution channels, the Group will continue to pursue its "Branding comes first" philosophy and press ahead with the transformation of its channels. The Group will continuously increase its market share in first-tier cities and supermarket chains operated by international giants across China, while consolidating the market share and boosting market penetration in the second, third and fourth-tier cities, so as to increase its sales revenue. The Group will also synchronize online and offline marketing to generate synergy in an effort to develop niche markets via the e-commerce channel.

In terms of products, the Group will continue to market its market-leading skin lotion series products for children as the Group's core offerings and develop its children's hair and body wash series and its children's dental care products to become the Group's the other two core offerings. As such, the Group will have three core categories, which would in turn help boost the market share of other offerings of the Group. Further, the Group will gradually shift the positioning of products from middle-end to middle and high-end. This will be achieved through continuous improvement of products, upgrading of packaging and design of outward appearance, in accordance with the preferences and consumption habits of different consumers.

As for marketing, the Group will continue to make use of an animated cartoon culture as its differentiated marketing strategy, infusing the brand with different cultural connotations through animated cartoons and community activities, which are differentiated marketing strategies, to cultivate consumer identification with the brand. In the meantime, the Group will also continue to consolidate the brand positioning of "Frog Prince", communicating that it cares for the growth of children aged 3 to 12 through its terminal market activities and introduce the consumption concept of "skin care products for children" to enhance brand loyalty of consumers.

The Group will complete the construction of plants in the new industrial park as planned, and acquire equipments of a higher level of automation to expand capacity to meet market demand. Meanwhile, the Group will also step up the works for the project of "Standardization Research Base for Cosmetic Products for Chinese Children" in conjunction with the Standardization Administration of the PRC, and project of "Children's Cosmetics Research Base of the Department of Applied Chemistry of South China University of Technology" in conjunction with South China University of Technology, with a view to strengthening the Group's core competitiveness by increasing R&D input.

Management Discussion and Analysis (continued)

Looking ahead, the Group will continue to adhere to its mission, which is: “To provide safer, more reliable and more professional personal care products for children” (為孩子們提供更安全、更放心、更專業的個人護理產品) and, capitalize on the enormous business opportunities brought about by the fast expansion of China’s consumer market, to focus on the steady and healthy growth of our core business to generate higher shareholder value continuously.

USE OF NET PROCEEDS FROM THE COMPANY’S INITIAL PUBLIC OFFERING

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

	Planned amount per prospectus HK\$ million	Actual net proceeds from the initial public offering HK\$ million	Amount utilized as of 31 December 2013 HK\$ million	Balance as at 31 December 2013 HK\$ million
Strengthening the marketing and promotion of products, expanding and strengthening management of sales networks and channels	285.5	258.4	257.7	0.7
Expanding and enhancing production facilities and capacities	214.1	193.8	193.8	—
Expanding product offerings	107.1	96.9	96.9	—
Enhancing research and development capabilities	35.7	32.3	25.1	7.2
Working capital and other general purposes	71.3	64.6	64.6	—
Total	713.7	646.0	638.1	7.9

Management Discussion and Analysis (continued)

EMPLOYEES AND REMUNERATION

As at 31 December 2013, the Group employed 1,840 employees (31 December 2012: 1,406 employees). In addition to basic salaries, year-end bonuses may be awarded to staff members for outstanding performance. Constituent companies of the Group established in Mainland China are 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, constituent companies 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.

In addition, a share option scheme was adopted in 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.

The Group also provides training to its employees to help them master relevant skills.



Directors and Senior Management Biographies

DIRECTORS

Executive Directors

Mr. Li Zhenhui (李振輝), aged 54, a founder of the Group, is the Chairman, Chief Executive Officer and an executive director of the Company. He is also a member of the Remuneration Committee of the Company. Mr. Li is mainly responsible for the overall management, strategic planning and business development of the Group. Mr. Li has over 20 years of experience in personal care products industry of China gained from his work in the Group. Mr. Li founded the children's personal care products brand of "青蛙王子 (Frog Prince)" in 1999 and has focused his efforts on developing children's personal care products since then. Mr. Li was the vice president of "Brand Alliances" of the 14th to 18th China Beauty Expo (Shanghai CBE) (第14至18屆中國美容博覽會(上海CBE)「品牌聯盟」). Mr. Li was appointed as the president of Fujian Daily Chemicals Import and Export Association (福建省日用化學品進出口商會) in June 2010. He was appointed as the vice chairman of China Association of Fragrance Flavor and Cosmetic Industries (中國香料香精化妝品工業協會) in September 2013. Mr. Li has also been recognized with several awards and recognitions, including "Exceptional Entrepreneur" (功勳企業家) of China beauty chemicals in 2004 and "Ten New Economic Hero of West-Straits" (十大海西新經濟英雄) by Straits News (海峽都市報) in January 2010. Mr. Li attended the EMBA program of the Finance and Securities Research Institute of the Central University of Finance and Economics (中央財經大學金融證券研究所EMBA), a long distance training course, and received a diploma in 2004. He also received a senior economist certificate as approved by Fujian Provincial Personnel Department (福建省人事廳) in 2007. Mr. Li is the sole shareholder and director of Zhenfei Investment Company Limited (a controlling shareholder of the Company) and the director of Prince Frog International Company Limited (a wholly-owned subsidiary of Zhenfei Investment Company Limited and a controlling shareholder of the Company).

Mr. Xie Jinling (謝金玲), aged 55, a founder of the Group, is an executive director of the Company. Mr. Xie has over 20 years of experience in personal care products industry of China gained from his work in the Group. He is mainly responsible for the management of new facilities construction of the Group. He received a high school diploma in 1976. Mr. Xie is also the sole shareholder and director of Jinlin Investment Company Limited (a substantial shareholder of the Company).

Mr. Ge Xiaohua (葛曉華), aged 44, is an executive director of the Company and a vice general manager of Frog Prince (China) Daily Chemicals Co., Ltd. (a wholly owned subsidiary of the Company). Mr. Ge is currently responsible for the administration of R&D and Quality Management Center and Human Resources Center of the Group. He joined the Group in January 2002 and has successively been responsible for the Group's production management and domestic marketing and sales. Prior to joining the Group, he worked for Nanjing Phosphate Fertilizer Factory (南靖磷肥廠) from March 1991 to August 1997, for Fujian Fulong Biological Products Co., Ltd. (福建福龍生物製品有限公司) from September 1997 to February 1999 and for Zhangzhou Ge Laiya Cosmetics Co., Ltd. (漳州格萊雅化妝品有限公司) as a manager from March 1999 to December 2001. He received a diploma in chemical technology from Fu Jian Chemical Industry School (福建化工學校) in 1988 and a diploma in economic management from the Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in 1997. He also received an assistant engineer certificate approved by Zhangzhoushi Bureau of Personnel (漳州市人事局) in 1994.

Directors and Senior Management Biographies (continued)

Mr. Huang Xinwen (黃新文), aged 47, is an executive director of the Company and a vice general manager of Frog Prince (China) Daily Chemicals Co., Ltd. (a wholly owned subsidiary of the Company). Mr. Huang has about 9 years of experience in the international sales and marketing and has played a crucial role in the strategic development and international brand marketing of the Company. He joined the Group in May 1995 as a part time manager of the equipment division and formally joined the Group as a full-time manager of the international division in March 2003. In August 2004, he was appointed as the manager of the international trade department of the Group, and was appointed as the vice general manager of the Group in October 2006. Mr. Huang is currently responsible for the Group's international trade and production management. Prior to joining the Group, he once served at the production department of an aluminum container company in Zhangzhou City, Fujian Province. He received a diploma in light industry machinery from Longxi Area Technical School (龍溪地區工業學校) in 1986.

Ms. Hong Fang (洪芳), aged 37, is an executive director and the Chief Financial Officer of the Company. In January 2014, she was appointed as the general manager of Frog Prince (China) Daily Chemicals Co., Ltd. (a wholly owned subsidiary of the Group) and resigned as the Company Secretary of the Company to fully focus on the daily operation and management of the subsidiary of the Group. Ms. Hong has over 15 years of experience in auditing, accounting, financial control and financial management. She joined the Company in March 2010 and is responsible for the overall financial management and informationization construction of the Group. Prior to joining the Company, she served as an accountant and an assistant manager with KPMG in Beijing from August 1999 to March 2004. From March 2004 to March 2007, she worked at Yunnan Phosphate Fertilizer Plant Company Limited as chief financial officer. From October 2007 to December 2009, she was a manager with KPMG Consulting (China) Co. Ltd., and she was recognized as "2009 KPMG People Management Leader". She graduated from Beijing University of Chemical Technology with a bachelor degree in accounting in 1999.

Independent Non-executive Directors

Mr. Chen Shaojun (陳少軍), aged 62, was appointed as an independent non-executive director of the Company on 18 February 2011. He is also a member of both the Audit Committee and the Nomination Committee of the Company. He once worked as the chief of the Industry Guidance Department Office at the former Ministry of Light Industry and the senior vice manager and the chief of the administration division at China Everbright (Group). He is currently the president of China Association of Fragrance Flavour and Cosmetics Industries. He studied at Mianyang Branch School of Tsinghua University (清華大學綿陽分校) from March 1975 to September 1978, and then attended the postgraduate economic management program for leaders of the Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院領導幹部在職經濟管理研究生班) from September 1996 to July 1999.

Directors and Senior Management Biographies (continued)

Mr. Ren Yunan (任煜男), aged 38, was appointed as an independent non-executive director of the Company on 18 February 2011. He is also the chairman of both the Nomination Committee and the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Ren graduated from Peking University with a bachelor degree in law in 1997 and received a master degree in law from Harvard Law School in 1999. Mr. Ren is a non-practising solicitor in Hong Kong, and is qualified to practice law in New York, the United States of America. He is currently an independent director and the chairman of audit committee of Tiger Media, Inc. (a company listed on New York Stock Exchange AMEX; stock code: IDI). From May 2013 to November 2013, Mr. Ren had served as an independent non-executive director of Vision Fame International Holding Limited (a company listed on the Main Board of the Stock Exchange; stock code: 1315).

Mr. Wong Wai Ming (黃偉明), aged 41, was appointed as an independent non-executive director of the Company on 18 February 2011. He is also the chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee of the Company. Mr. Wong has over 17 years of experience in accounting and finance. From 1994 to 1996, he served as a staff accountant at Moores Rowland. From 1996 to 2001, he served as staff accountant and audit manager at Ernst & Young. Then he joined Kin Yat Holdings Limited (a company listed on the Main Board of the Stock Exchange; stock code: 638) in September 2001 and worked as an executive director and a finance director from 2007 to 2010, during which he was primarily responsible for the management of the finance and accounting department and monitoring and maintaining compliance with relevant rules, regulations and ordinances applicable to the group companies. He was chief financial officer of Baofeng Modern International Holdings Company Limited (a company listed on the Main Board of the Stock Exchange; stock code: 1121) from July 2011 to May 2013. Currently, he is the chief financial officer of a PRC group which provides integrated landscape architecture service in the PRC. He studied professional accountancy in The Chinese University of Hong Kong from 1990 to 1994, and received a bachelor degree in business administration with honours in 1994. He is a fellow of Hong Kong Institute of Certified Public Accountants and a fellow of Association of Chartered Certified Accountants.

JOINT COMPANY SECRETARIES

Ms. Huang Yishan (黃怡珊), aged 30, was appointed as one of the joint company secretaries of the Company on 24 January 2014. She has also been the Investor Relations Director of the Company since the Company's listing on the Stock Exchange in July 2011. Ms. Huang graduated from University of Waterloo, Canada as a Bachelor of Mathematics and Business Administration. Prior to joining the Company, Ms. Huang had been an Assistant Manager in the audit department of KPMG from August 2006 to September 2009. Subsequently from November 2009 to June 2011, she served as the Investor Relations Director in a company listed on the Main Board of the Stock Exchange.

Directors and Senior Management Biographies (continued)

Ms. So Yee Kwan (蘇滿筠), aged 32, was appointed as one of the joint company secretaries of the Company on 24 January 2014. Ms. So is a Manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services. She has extensive experience in a diversified range of corporate services and has been providing professional secretarial services to many companies listed on the Stock Exchange for the past 9 years. Ms. So is a Chartered Secretary and an Associate of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. So received a Bachelor's degree in International Business Management from Oxford Brookes University in the United Kingdom and a Master of Arts in Professional Accounting and Information Systems from City University of Hong Kong.

SENIOR MANAGEMENT

Mr. Liu Longping (劉龍平), aged 36, is the vice general manager and the general manager of the domestic marketing business of Frog Prince (China) Daily Chemicals Co., Ltd. (a subsidiary of the Company). Mr. Liu has more than 12 years of experience in sales and marketing. He joined the Group in February 2001 and is responsible for marketing of the children's personal care products of the Group. He received a diploma in foreign economy and financial accounting from Fujian Quanzhou Cishan Finance School (福建泉州慈山財經學校) in 1998 and received a diploma in human resource management from Fujian Agriculture and Forestry University (福建農林大學) in 2007.

Mr. Duan Yong (段永), aged 41, is the director of the Market Center of the Domestic Marketing Activities (國內營銷業務市場中心) of the Frog Prince (China) Daily Chemicals Co., Ltd. (a subsidiary of the Company). Mr. Duan owns 16 years of experience in marketing and brand management in the daily chemicals market of China. He joined the Company in August 2011 to lead the introduction of the Company's new brand "ein.b". From the end of 2012, he has been responsible for the formulation of marketing strategic plan and marketing implementation scheme for the brand of Frog Prince and devoted to the dissemination of the distinct brand image of Frog Prince, promotion of the brand development and accomplishing the marketing goals set by the Board. From 1994 to 1996, Mr. Duan taught in Chongqing Jiaotong University. From 1997 to 2001, he worked as the branch manager of Chongqing Aoni Cosmetics Co., Ltd. (重慶奧妮化妝品有限公司) and was responsible for the sales of the branch under his management; and subsequently worked as national brand manager of Aoni and was responsible for brand building. From 2002 to 2006, he served at Biyang (Singapore) Ice Water Co., Ltd. (必揚(新加坡)冰點水有限公司) as the marketing director in charge of market research, brand building, channel strategy, media publication, etc. From 2007 to 2010, he worked at Fupei International (France) Co., Ltd. (馥珮國際(法國)有限公司) as the marketing director and deputy general manager in charge of marketing. Mr. Duan graduated in 2004 from Southwest University with a degree of Bachelor of Arts. Having received training in Gallup (China) Consulting (蓋洛普(中國)諮詢機構), Trout & Partners Ltd Brand Strategy Management Company (特勞特品牌戰略管理公司) and Ogilvy & Mather, Mr. Duan is a professional manager who started early to apply the western marketing theory to the domestic market.

Directors and Senior Management Biographies (continued)

Mr. Zhang Lilong (張立隆), aged 35, is the sales director of the Sales Centre of the Domestic Marketing Activities (國內營銷業務銷售中心) of the Frog Prince (China) Daily Chemicals Co., Ltd. (a subsidiary of the Company). Mr. Zhang joined the Company in March 2001 and is currently responsible for the comprehensive sales management of the Company's domestic marketing activities. He has over 13 years of experience in sales management. Mr. Zhang graduated from Nanchang University in Jiangxi with a professional diploma in marketing in 1999.

Mr. Li Zhouxin (李周欣), aged 30, is the chief financial officer of Frog Prince (China) Daily Chemicals Co., Ltd. (a subsidiary of the Company). Mr. Li joined Frog Prince (China) Daily Chemicals Co., Ltd. in November 2011, served as the manager of strategic development department and is primarily responsible for developing and managing the Company's strategic development plans and assisting the former chief financial officer in dealing with assessment of external investment projects and internal audit affairs. Since 1 January 2014, he served as the chief financial officer and is responsible for comprehensive financial management of Frog Prince (China) Daily Chemicals Co., Ltd. Prior to joining the Company, Mr. Li worked as auditor and assistant manager of the audit division at KPMG Consulting (China) Co. Ltd. from August 2007 to December 2010. From December 2010 to November 2011, he served as finance manager at a company listed on the main board of NASDAQ. He graduated from Fuzhou University with a bachelor degree in finance in 2007. He is also a PRC certified public accountant and certified management accountant and holds a Certification in Risk Management Assurance.

Ms. Han Xinbin (韓新彬), aged 36, is the production manager of Frog Prince (China) Daily Chemicals Co., Ltd. (a subsidiary of the Company). Ms. Han has nearly 12 years of experience in the children's daily chemicals industry of China. She joined the Group in October 2001 and is primarily responsible for management of the production and logistics of the Group. Prior to joining the Group, she worked for Fujian Longxi Instrument Meter Factory (福建龍溪儀錶廠) from 1996 to 1998. Ms. Han received a diploma in accounting from Xiamen University in 2000.

Mr. Wen Wenzhong (溫文忠), aged 47, is the manager of the research and development and quality guarantee department of Frog Prince (China) Daily Chemicals Co., Ltd. (a subsidiary of the Company). Mr. Wen has over 23 years of experience in the research and development of children's personal care products. He joined the Group in May 2005 and is responsible for research and development of our children's personal care products and the management of quality control. Prior to joining the Group, he served as a project engineer in the Research Laboratory of Zhangzhou Chemicals Factory (漳州市化學品廠研究所) for 15 years. He received a master degree in organic chemical science from Dalian University of Technology in 1990.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The Board is committed to strengthening the Group's corporate governance practices and ensuring transparency and accountability of the Company's operations.

The Company has applied the principles as contained in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Board considers that during the year ended 31 December 2013, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Company and enhancing value to investors. All the directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and its shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

Corporate Governance Report (continued)

A2. Board Composition

The composition of the Board as at 31 December 2013 is as follows:

Executive directors:

Mr. Li Zhenhui *(Chairman of the Board, Chief Executive Officer and Member of the Remuneration Committee)*

Mr. Xie Jinling

Mr. Ge Xiaohua

Mr. Huang Xinwen

Ms. Hong Fang

Independent non-executive directors:

Mr. Chen Shaojun *(Member of the Audit Committee and Member of the Nomination Committee)*

Mr. Ren Yunan *(Chairman of the Remuneration Committee, Chairman of the Nomination Committee and Member of the Audit Committee)*

Mr. Wong Wai Ming *(Chairman of the Audit Committee, Member of the Remuneration Committee and Member of the Nomination Committee)*

Throughout the year ended 31 December 2013, the Board has met the requirements of Listing Rules 3.10 and 3.10A of having three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications, and accounting and related financial management expertise.

The members of the Board have experience and skills appropriate for the business requirements and objectives of the Group. Each executive director is responsible for different business and functional divisions of the Group in accordance with his/her areas of expertise. The independent non-executive directors bring different business and financial expertise, experience and independent judgment to the Board, and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests, the independent non-executive directors had made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The biographical details of the directors of the Company are set out under "Directors and Senior Management Biographies" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in light of the independence guidelines set out in the Listing Rules.

Corporate Governance Report (continued)

A3. Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive 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 20 years of experiences in personal care products industry. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Li provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business strategies and decisions.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive in the same person will not impair the balance of power and authority between the Board and the management of the Company.

A4. Appointment and Re-election of Directors

The Company's Articles of Association contain provisions on the procedures and process of appointment and removal of directors.

According to the Company's Articles of Association, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

Each director, including the independent non-executive directors, is engaged for a term of three years, subject to renewal upon expiry of the term. They are also subject to re-election in accordance with the Company's Articles of Association provisions as mentioned above.

Corporate Governance Report (continued)

At the forthcoming annual general meeting of the Company to be held on 5 June 2014 (the "2014 AGM"), Mr. Ge Xiaohua, Mr. Ren Yunan and Mr. Wong Wai Ming shall retire by rotation pursuant to the Company's Articles of Association provisions stated in the foregoing paragraphs. All the above three retiring directors, being eligible, will offer themselves for re-election at the 2014 AGM. The Board and the Nomination Committee recommended their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above three directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

Each newly appointed director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group, and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to directors from time to time for their studying and reference.

During the year ended 31 December 2013, all directors complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

- The Company organized various training sessions relating to directors' duties and responsibilities, corporate governance and the Group's business. Mr. Li Zhenhui, Mr. Xie Jinling, Mr. Ge Xiaohua, Mr. Huang Xinwen and Ms. Hong Fang attended such training sessions.
- All directors (being Mr. Li Zhenhui, Mr. Xie Jinling, Mr. Ge Xiaohua, Mr. Huang Xinwen, Ms. Hong Fang, Mr. Chen Shaojun, Mr. Ren Yunan and Mr. Wong Wai Ming) received regular briefings and updates from the Company on the Group's business, operations and corporate governance matters.

Corporate Governance Report (continued)

- Mr. Ge Xiaohua, Ms. Hong Fang and Mr. Wong Wai Ming attended relevant seminars organized by other professional firms/institutions/the Stock Exchange.
- Mr. Li Zhenhui, Mr. Xie Jinling, Mr. Ge Xiaohua, Mr. Huang Xinwen, Ms. Hong Fang and Mr. Wong Wai Ming read technical bulletins, periodicals and other publications on subjects relevant to the Group and on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

A6. Directors' Attendance Records

The attendance records of each director at the Board and Board committees meetings and the general meeting of the Company held during the year ended 31 December 2013 are set out below:

Name of Director	Board	Attendance / Number of Meetings			
		Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
<i>Executive directors:</i>					
Mr. Li Zhenhui	6/6	N/A	1/1	N/A	1/1
Mr. Xie Jinling	6/6	N/A	N/A	N/A	0/1
Mr. Ge Xiaohua	6/6	N/A	N/A	N/A	0/1
Mr. Huang Xinwen	6/6	N/A	N/A	N/A	0/1
Ms. Hong Fang	6/6	N/A	N/A	N/A	1/1
<i>Independent non-executive directors:</i>					
Mr. Chen Shaojun	6/6	3/3	N/A	1/1	1/1
Mr. Ren Yunan	6/6	3/3	1/1	1/1	1/1
Mr. Wong Wai Ming	6/6	3/3	1/1	1/1	1/1

In addition, the Chairman of the Board held a meeting with the independent non-executive directors without the presence of executive directors during the year under review.

Corporate Governance Report (continued)

A7. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Each director has been given a copy of the Model Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Model Code throughout the year ended 31 December 2013.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

A8. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

During the year under review, the Board has performed such corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices, (ii) reviewed and monitored the training and continuous professional development of directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the compliance of the Model Code and the Employee Written Guidelines, and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

B. BOARD COMMITTEE

The Board established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website. All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Corporate Governance Report (continued)

B1. Remuneration Committee

The Remuneration Committee comprises a total of three members, being an executive director, namely Mr. Li Zhenhui, and two independent non-executive directors, namely Mr. Ren Yunan and Mr. Wong Wai Ming. The chairman of the Remuneration Committee is Mr. Ren Yunan. The majority of the Remuneration Committee members are independent non-executive directors.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure, the remuneration packages of executive directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) is adopted) and the remuneration of non-executive directors. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Group as well as market practice and conditions.

During the year ended 31 December 2013, the Remuneration Committee has performed the following major works:

- Generally review and discussion of the remuneration packages of the directors and the senior staff of the Group; and
- Consider the increment of the remuneration of the independent non-executive directors.

The attendance records of each Committee member at the Remuneration Committee meeting held during the year under review are set out in section A6 above.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2013 is set out below:

Remuneration band (RMB)	Number of individuals
0–250,000	2
250,001–500,000	4

Details of the remuneration of each director of the Company for the year ended 31 December 2013 are set out in note 8 to the financial statements contained in this annual report.

Corporate Governance Report (continued)

B2. Nomination Committee

The Nomination Committee comprises a total of three members, being the three existing independent non-executive directors, namely Mr. Ren Yunan, Mr. Chen Shaojun and Mr. Wong Wai Ming. The chairman of the Nomination Committee is Mr. Ren Yunan.

The principal responsibilities of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing of the independence of the independent non-executive directors.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company also recognizes and embraces the benefit of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board diversity. To comply with the provision of A.5.6 of the CG Code, a Board diversity policy was adopted by the Company on 27 August 2013, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

During the year ended 31 December 2013, the Nomination Committee has held 1 meeting (the attendance records of each Committee member are set out in section A6 above) and reviewed the Board composition and structure, considering and recommending the re-election of the retiring Directors at the 2013 annual general meeting and assessing the independence of the three independent non-executive directors of the Company.

Corporate Governance Report (continued)

B3. Audit Committee

The Audit Committee comprises a total of three members, being the three existing independent non-executive directors, namely Mr. Wong Wai Ming, Mr. Chen Shaojun and Mr. Ren Yunan. The chairman of the Audit Committee is Mr. Wong Wai Ming, who possesses the appropriate professional qualifications, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year ended 31 December 2013, the Audit Committee has held 3 meetings (the attendance records of each Committee member are set out in section A6 above) and performed the following major works:

- Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2012, the related accounting principles and practices adopted by the Group and internal controls related matters, and recommendation of the re-appointment of the external auditors;
- Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2013, and the related accounting principles and practices adopted by the Group; and
- Review and discussion of the Company's clarification announcement published in November 2013.

The external auditors were invited to attend the said meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

Corporate Governance Report (continued)

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2013.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of shareholders and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

E. COMPANY SECRETARY

During the year ended 31 December 2013, the Company's joint company secretaries are Ms. Hong Fang, the executive director, and Ms. So Ka Man of Tricor Services Limited, an external service provider. On 24 January 2014, Ms. Huang Yishan, the Company's investor relations director, and Ms. So Yee Kwan of Tricor Services Limited have been appointed as the Company's joint company secretaries in replacement of Ms. Hong Fang and Ms. So Ka Man. The primary contact of Ms. So Ka Man/Ms. So Yee Kwan at the Company is Ms. Hong Fang and/or Ms. Sandra Huang.

During the year ended 31 December 2013, both Ms. Hong Fang and Ms. So Ka Man have taken not less than 15 hours of relevant professional training.

Corporate Governance Report (continued)

F. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for year ended 31 December 2013 is set out in the section headed "Independent Auditors' Report" in this annual report.

The fees paid/payable to Ernst & Young, the Company's auditors, in respect of audit services and non-audit services for the year ended 31 December 2013 are analyzed below:

<u>Type of services provided by the external auditors</u>	<u>Fees paid/payable</u>
<i>Audit services:</i>	
— Audit fee for the year ended 31 December 2013	HK\$2,800,000
<i>Non-audit services:</i>	
— Agreed upon procedures on interim results for the six months ended 30 June 2013	<u>HK\$400,000</u>
TOTAL:	<u><u>HK\$3,200,000</u></u>

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at www.princefrog.com.cn, as a communication platform with shareholders and investors, where extensive information and updates on the Company's business developments and operations, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows.

Address: Suite 602A-3, 6/F, Ocean Centre, Harbour City, 5 Canton Road, Tsimshatsui, Kowloon, Hong Kong
 Fax no.: (852) 2375 0783
 Email: princefrog@wsfg.hk

Inquiries are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

Corporate Governance Report (continued)

H. SHAREHOLDER RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

- (1) Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Company's Articles of Association by sending a written requisition to the Board or the Company Secretary at the Company's head office/principal place of business in Hong Kong. The objects of the meeting must be stated in the written requisition.
- (2) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, pursuant to Article 85 of the Company's Articles of Association, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her/its intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office/principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law.

During the year under review, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association of the Company is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

All resolutions put forward at shareholders' meetings shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.princefrog.com.cn) after each shareholders' meeting.

Report of the Directors

The directors of Company are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the design and provision of a broad range of children's personal care products, including skin care products, body and hair care products, oral care products and diaper products under our own brands in the PRC.

FINANCIAL STATEMENTS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 54 to 119 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 27 to the financial statements.

FINAL DIVIDEND

The directors recommended a final dividend of HK5.0 cents (approximately RMB3.9 cents) per ordinary share for the year ended 31 December 2013, representing a total of approximately HK\$50.5 million (approximately RMB39.7 million), payable to the Company's shareholders whose names appear on the Company's register of members on 18 June 2014. This dividend payment, subject to the approval of the shareholders at the 2014 AGM to be held on 5 June 2014, is expected to be paid on 2 July 2014.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information of the Group for the last five financial years is set out on page 120 of this annual report. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 June 2014 to 5 June 2014 (both days inclusive) for the purpose of determining the right to attend and vote at the 2014 AGM. In order to be entitled to attend and vote at the 2014 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied with the corresponding share certificates are lodged with the Company's branch share registrar and transfer office (i.e. Computershare Hong Kong Investor Services Limited) at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 30 May 2014.

Report of the Directors (continued)

In addition, the register of members of the Company will also be closed from 16 June 2014 to 18 June 2014 (both days inclusive) for the purpose of determining the entitlement to the above-mentioned proposed final dividend. In order to be qualified for the proposed final dividend (if approved by the shareholders at the 2014 AGM), unregistered holders of shares of the Company should ensure that all share transfer documents accompanied with the corresponding share certificates are lodged with the Company's branch share registrar and transfer office at the above address for registration not later than 4:30 p.m. on 13 June 2014.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB440,989,000. In addition, the Company's share premium account, in the amount of RMB528,634,000, of which approximately RMB39,723,000 has been proposed as a final dividend for the year, may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 11.6% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 21.9% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

Report of the Directors (continued)

DIRECTORS

The directors of the Company during the year and as at the date of this report were as follows:

Executive Directors

Mr. Li Zhenhui
Mr. Xie Jinling
Mr. Ge Xiaohua
Mr. Huang Xinwen
Ms. Hong Fang

Independent Non-executive Directors

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

Pursuant to Article 84 of the Company's Articles of Association, Mr. Ge Xiaohua, Mr. Ren Yunan and Mr. Wong Wai Ming will retire from office as directors of the Company by rotation at the 2014 AGM. The above retiring directors, being eligible, will offer themselves for re-election at the 2014 AGM.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 20 to 24 of this annual report.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the listing date (which is 15 July 2011) (the "Listing Date"), which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive directors has entered into a service contract with the Company for a term of three years from the Listing Date, which may be terminated by not less than one month's notice in writing served by either party on the other.

There was no service contract entered by the Company and any directors to be re-elected in the coming annual general meeting which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Directors (continued)

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year.

DIRECTORS' INTEREST IN CONTRACTS

Other than those transactions disclosed in note 33(i) to the financial statements and in the section "Continuing Connected Transaction" below, there was no other significant contract with any member of the Group as the contracting party and in which the directors possessed direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the directors is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. Details of the Scheme are disclosed in note 28 to the financial statements.

As set out in the Company's prospectus, the Board is authorized to grant options up to 100,000,000 shares of the Company, representing 10% of the issued share capital of the Company as at the Listing Date. Since options to subscribe for a total of 12,966,000 shares and 9,394,000 shares were granted by the Company on 14 October 2011 and 21 June 2012 respectively (out of which a total of 878,000 options were forfeited/lapsed up to the date of this report), the Board may further grant 78,518,000 options, representing approximately 7.77% of the issued share capital of the Company as at the date of this annual report.

Report of the Directors (continued)

The following table discloses movements of the Company's share options, granted under the Share Option Scheme, during the year ended 31 December 2013:

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 31 December 2013	Exercise period (Note 3)
			Outstanding as at 1 January 2013	Granted during the year	Exercised during the year (Note 2)	Cancelled during the year	Forfeited/lapsed during the year		
Executive Directors									
Mr. Li Zhenhui (also a substantial shareholder)	14 October 2011	1.92	800,000	—	—	—	—	800,000	A
			600,000	—	—	—	—	600,000	B
			600,000	—	—	—	—	600,000	C
			2,000,000	—	—	—	—	2,000,000	
	21 June 2012	2.94	144,000	—	—	—	—	144,000	D
			108,000	—	—	—	—	108,000	E
			108,000	—	—	—	—	108,000	F
			360,000	—	—	—	—	360,000	
<i>Sub-total</i>			<i>2,360,000</i>	—	—	—	—	<i>2,360,000</i>	
Mr. Xie Jinling (also a substantial shareholder)	14 October 2011	1.92	400,000	—	—	—	—	400,000	A
			300,000	—	—	—	—	300,000	B
			300,000	—	—	—	—	300,000	C
			1,000,000	—	—	—	—	1,000,000	
	21 June 2012	2.94	320,000	—	—	—	—	320,000	D
			240,000	—	—	—	—	240,000	E
			240,000	—	—	—	—	240,000	F
			800,000	—	—	—	—	800,000	
<i>Sub-total</i>			<i>1,800,000</i>	—	—	—	—	<i>1,800,000</i>	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Exercise period (Note 3)		
			Outstanding as at 1 January 2013	Granted during the year	Exercised during the year (Note 2)	Cancelled during the year	Forfeited/ lapsed during the year		Outstanding as at 31 December 2013	
Mr. Ge Xiaohua	14 October 2011	1.92	400,000	—	(400,000)	—	—	—	A	
			300,000	—	—	—	—	300,000	B	
			300,000	—	—	—	—	300,000	C	
				1,000,000	—	(400,000)	—	—	600,000	
	21 June 2012	2.94	320,000	—	—	—	—	320,000	D	
			240,000	—	—	—	—	240,000	E	
			240,000	—	—	—	—	240,000	F	
				800,000	—	—	—	—	800,000	
	<i>Sub-total</i>			1,800,000	—	(400,000)	—	—	1,400,000	
	Mr. Huang Xinwen	14 October 2011	1.92	200,000	—	(200,000)	—	—	—	A
300,000				—	—	—	—	300,000	B	
300,000				—	—	—	—	300,000	C	
				800,000	—	(200,000)	—	—	600,000	
21 June 2012		2.94	320,000	—	—	—	—	320,000	D	
			240,000	—	—	—	—	240,000	E	
			240,000	—	—	—	—	240,000	F	
				800,000	—	—	—	—	800,000	
<i>Sub-total</i>				1,600,000	—	(200,000)	—	—	1,400,000	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 31 December 2013	Exercise period (Note 3)	
			Outstanding as at 1 January 2013	Granted during the year	Exercised during the year (Note 2)	Cancelled during the year	Forfeited/ lapsed during the year			
Ms. Hong Fang	14 October 2011	1.92	400,000	—	—	—	—	400,000	A	
			300,000	—	—	—	—	300,000	B	
			300,000	—	—	—	—	300,000	C	
				1,000,000	—	—	—	—	1,000,000	
	21 June 2012	2.94	320,000	—	—	—	—	320,000	D	
			240,000	—	—	—	—	240,000	E	
			240,000	—	—	—	—	240,000	F	
				800,000	—	—	—	—	800,000	
	<i>Sub-total</i>			<i>1,800,000</i>	—	—	—	—	<i>1,800,000</i>	
	Independent Non-executive Directors									
Mr. Chen Shaojun	14 October 2011	1.92	40,000	—	—	—	—	40,000	A	
			30,000	—	—	—	—	30,000	B	
			30,000	—	—	—	—	30,000	C	
				100,000	—	—	—	—	100,000	
	21 June 2012	2.94	40,000	—	—	—	—	40,000	D	
			30,000	—	—	—	—	30,000	E	
			30,000	—	—	—	—	30,000	F	
				100,000	—	—	—	—	100,000	
	<i>Sub-total</i>			<i>200,000</i>	—	—	—	—	<i>200,000</i>	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Exercise period (Note 3)		
			Outstanding as at 1 January 2013	Granted during the year	Exercised during the year (Note 2)	Cancelled during the year	Forfeited/ lapsed during the year		Outstanding as at 31 December 2013	
Mr. Ren Yunan	14 October 2011	1.92	40,000	—	—	—	—	40,000	A	
			30,000	—	—	—	—	30,000	B	
			30,000	—	—	—	—	30,000	C	
		100,000	—	—	—	—	100,000			
		21 June 2012	2.94	40,000	—	—	—	—	40,000	D
				30,000	—	—	—	—	30,000	E
	30,000			—	—	—	—	30,000	F	
	100,000	—	—	—	—	100,000				
	<i>Sub-total</i>			200,000	—	—	—	—	200,000	
	Mr. Wong Wai Ming	14 October 2011	1.92	40,000	—	—	—	—	40,000	A
				30,000	—	—	—	—	30,000	B
				30,000	—	—	—	—	30,000	C
100,000			—	—	—	—	100,000			
21 June 2012			2.94	40,000	—	—	—	—	40,000	D
				30,000	—	—	—	—	30,000	E
		30,000		—	—	—	—	30,000	F	
100,000		—	—	—	—	100,000				
<i>Sub-total</i>				200,000	—	—	—	—	200,000	
Total for directors				9,960,000	—	(600,000)	—	—	9,360,000	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 31 December 2013	Exercise period (Note 3)
			Outstanding as at 1 January 2013	Granted during the year	Exercised during the year (Note 2)	Cancelled during the year	Forfeited/lapsed during the year		
Employees of the Group in aggregate	14 October 2011	1.92	1,978,400	—	(1,562,000)	—	(52,000)	364,400	A
			1,915,800	—	(46,000)	—	(108,000)	1,761,800	B
			1,915,800	—	—	—	(108,000)	1,807,800	C
		5,810,000	—	(1,608,000)	—	(268,000)	3,934,000		
	21 June 2012	2.94	2,213,600	—	(1,164,000)	—	(132,000)	917,600	D
			1,660,200	—	—	—	(99,000)	1,561,200	E
		1,660,200	—	—	—	(99,000)	1,561,200	F	
	5,534,000	—	(1,164,000)	—	(330,000)	4,040,000			
Total for employees			11,344,000	—	(2,772,000)	—	(598,000)	7,974,000	
Total			21,304,000	—	(3,372,000)	—	(598,000)	17,334,000	

Notes:

- The closing prices of the Company's shares immediately before the dates of grant on 14 October 2011 and 21 June 2012 were HK\$1.92 and HK\$2.94, respectively.
- The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised is HK\$4.73.
- The respective exercise periods of the share options granted are as follows:
 - A: From 14 October 2012 to 13 October 2021
 - B: From 14 October 2013 to 13 October 2021
 - C: From 14 October 2014 to 13 October 2021
 - D: From 21 June 2013 to 20 June 2022
 - E: From 21 June 2014 to 20 June 2022
 - F: From 21 June 2015 to 20 June 2022

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

- The number and/or exercise price of the options may be subject to adjustments in the case of rights or bonus issues, or other changes in the Company's share capital.

Report of the Directors (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the interests of the Company's directors in the shares and underlying 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 Securities and Future Ordinance (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 maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

A. Long positions in the ordinary shares of the Company

<u>Name of director</u>	<u>Nature of interests</u>	<u>Number of ordinary shares interested</u>	<u>Percentage* of the Company's issued share capital</u>
Mr. Li Zhenhui	Interest of controlled corporations (Note 1)	343,408,500	33.99%
Mr. Xie Jinling	Interest of controlled corporation (Note 2)	140,383,500	13.89%
Mr. Ge Xiaohua	Beneficial owner	400,000	0.04%
Mr. Huang Xinwen	Beneficial owner	400,000	0.04%

Notes:

- These shares were held by Prince Frog International Company Limited (for 343,308,500 shares) and Zhenfei Investment Company Limited (for 100,000 shares) respectively. Prince Frog International Company Limited is 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.
- 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 31 December 2013.

Report of the Directors (continued)

B. Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) — share options

Name of director	Nature of interests	Number of underlying shares interested	Percentage ⁺ of underlying shares over the Company's issued share capital
Mr. Li Zhenhui	Beneficial owner	2,360,000	0.23%
Mr. Xie Jinling	Beneficial owner	1,800,000	0.18%
Mr. Ge Xiaohua	Beneficial owner	1,400,000	0.14%
Mr. Huang Xinwen	Beneficial owner	1,400,000	0.14%
Ms. Hong Fang	Beneficial owner	1,800,000	0.18%
Mr. Chen Shaojun	Beneficial owner	200,000	0.02%
Mr. Ren Yunan	Beneficial owner	200,000	0.02%
Mr. Wong Wai Ming	Beneficial owner	200,000	0.02%

Notes: Details of the above share options granted by the Company as required to be disclosed pursuant to the Listing Rules are set out in the section headed "Share Option Scheme" above and note 28 to the financial statements.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2013.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 31 December 2013, 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.

Report of the Directors (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions 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)	343,308,500	33.98%
Zhenfei Investment Company Limited	Beneficial owner (Note 2)	100,000	0.01%
	Interest of controlled corporation (Note 1)	343,308,500	33.98%
		343,408,500	33.99%
Jinlin Investment Company Limited	Beneficial owner (Note 3)	140,383,500	13.89%
Neuberger Berman LLC	Investment manager (Note 4)	61,330,450	6.07%
Neuberger Berman Holdings LLC	Interest of controlled corporation (Note 4)	61,330,450	6.07%
Neuberger Berman Group LLC	Interest of controlled corporations (Note 4)	61,330,450	6.07%

Notes:

- 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, an executive director of the Company. 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".
- The above interest of Zhenfei Investment 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".
- 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".
- These shares were held by Neuberger Berman LLC, a wholly-owned subsidiary of Neuberger Berman Holdings LLC, in the capacity as an investment manager. Neuberger Berman Holdings LLC was a wholly-owned subsidiary of Neuberger Berman Group LLC. Accordingly, Neuberger Berman Holdings LLC and Neuberger Berman Group LLC were deemed to be interested in these shares held by Neuberger Berman LLC 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 31 December 2013.

Report of the Directors (continued)

Save as disclosed above, as at 31 December 2013, no person, other than the directors of the Company whose interests are set out in 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.

CONTINUING CONNECTED TRANSACTION

The independent non-executive directors of the Company have reviewed the continuing connected transaction set out below, which is disclosed in compliance with the requirements of Chapter 14A of the Listing Rules, and have confirmed that the continuing connected transaction was entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and
- (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's independent auditors, were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the continuing connected transaction disclosed below by the Group in accordance with relevant clauses of Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

DETAILS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Sale of Goods Agreement

Pursuant to the agreement dated 13 June 2011 entered into between Shuangfei Daily Chemicals (USA) Inc. ("Shuangfei (USA)", a company owned as to 51% and 48% by Mr. Li Zhenhui and Mr. Xie Jinling respectively) and Frog Prince (China) Daily Chemicals Co., Ltd. ("Prince Frog (China)", an indirectly wholly-owned subsidiary of the Company) (the "Sale of Goods Agreement"), Prince Frog (China) agreed to sell and Shuangfei (USA) agreed to buy bath and skin care products produced by the Group for a term of 3 years from 13 June 2011 to 12 June 2014. The prices of such bath and skin care products will be determined in accordance with the purchase orders on the basis of arm's length negotiations and with reference to fair market price.

During the year under review, the total amounts of goods sold to Shuangfei (USA) under the Sale of Goods Agreement was approximately RMB6,800,000 and the annual cap for the year ended 31 December 2013 as set out in the Company's Prospectus is RMB52,133,000.

Report of the Directors (continued)

CONNECTED TRANSACTIONS

The remaining transactions for the year ended 31 December 2013 set out in note 33(i) to financial statements contained in this annual report also constituted connected transactions of the Group. As confirmed by the directors of the Company, as relevant applicable ratios were below 0.1%, such transactions were exempt from the reporting, announcement, annual review and independent shareholders' approval requirements.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to its directors. The remuneration of all directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of directors' remuneration are set out in note 8 to financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company repurchased a total of 984,000 shares on the Stock Exchange during the year ended 31 December 2013. The repurchases were effected by the Company for the enhancement of shareholders' value. Such shares were cancelled on 30 December 2013. Details of the share repurchases are summarized as follows:

Month of repurchase	Number of shares repurchased	Purchase price per share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
November 2013	500,000	3.69	3.67	1,846,721
December 2013	484,000	3.15	3.11	1,520,169

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Report of the Directors (continued)

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

DEED OF NON-COMPETITION

The controlling shareholders (i.e. Mr. Li Zhenhui, Zhenfei Investment Company Limited and Prince Frog International Company Limited), Mr. Xie Jinling, Jinlin Investment Company Limited and Fujian Shuangfei Daily Chemicals Co., Ltd. have made an annual declaration on compliance with their undertakings under the Deed of Non-Competition (as defined in the Company's prospectus). The independent non-executive directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the above-mentioned parties.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's three independent non-executive directors, has reviewed the consolidated financial statements of the Company for the year ended 31 December 2013, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.

AUDITORS

Ernst & Young will retire and, being eligible, offer themselves for re-appointment at the 2014 AGM. A resolution for their re-appointment as auditors of the Company will be proposed at the 2014 AGM.

ON BEHALF OF THE BOARD

Li Zhenhui
Chairman

Zhangzhou, the PRC
26 March 2014

Independent Auditors' Report



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 54 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 year 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.

Independent Auditors' Report (continued)

AUDITORS' RESPONSIBILITY (continued)

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.

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 31 December 2013, and of the Group's profit and cash flows for the year 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.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
26 March 2014

Consolidated Income Statement

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	1,712,206	1,572,054
Cost of sales		(901,895)	(850,498)
Gross profit		810,311	721,556
Other income and gains	5	14,029	12,711
Selling and distribution expenses		(423,405)	(357,973)
Administrative expenses		(89,327)	(76,333)
Other operating expenses		(1,951)	(425)
Finance costs	6	(33)	(902)
PROFIT BEFORE TAX	7	309,624	298,634
Income tax expense	10	(110,046)	(57,524)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE YEAR	11	199,578	241,110
EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	13		
Basic		RMB19.8 cents	RMB23.9 cents
Diluted		RMB19.6 cents	RMB23.9 cents

Details of the dividends are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
PROFIT FOR THE YEAR	199,578	241,110
Other comprehensive income: Other comprehensive income may be reclassified to profit or loss in subsequent periods: Exchange differences on translating operations outside Mainland China	2,219	929
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE YEAR	201,797	242,039

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	391,693	174,575
Prepaid land lease payments	15	19,164	19,598
Intangible assets	16	3,063	4,503
Prepayments and deposits	20	9,372	68,198
Total non-current assets		423,292	266,874
CURRENT ASSETS			
Inventories	18	56,608	42,837
Trade receivables	19	123,717	115,990
Amount due from a related company	33(ii)	1,653	9,915
Prepayments, deposits and other receivables	20	4,170	8,851
Available-for-sale investments	21	—	95,920
Entrusted loan receivable	22	—	80,000
Pledged deposits	23	—	1,148
Cash and cash equivalents	23	858,579	642,877
Total current assets		1,044,727	997,538
CURRENT LIABILITIES			
Trade and bills payables	24	72,811	65,158
Other payables and accruals	25	36,572	23,534
Tax payable		25,576	11,190
Total current liabilities		134,959	99,882
NET CURRENT ASSETS		909,768	897,656
TOTAL ASSETS LESS CURRENT LIABILITIES		1,333,060	1,164,530
NON-CURRENT LIABILITY			
Deferred tax liabilities	26	10,900	4,900
Net assets		1,322,160	1,159,630

Consolidated Statement of Financial Position (continued)

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	27	8,385	8,366
Reserves	29(a)	1,313,775	1,151,264
Total equity		1,322,160	1,159,630

Li Zhenhui
Director

Hong Fang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to ordinary equity holders of the Company									
		Issued	Share	Share	Capital	Statutory	Capital	Exchange	Retained	Total
	Notes	capital	premium	option	reserve	reserve	redemption	fluctuation	profits	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 27)					(Note 29(a))				
At 1 January 2013		8,366	571,012	7,724	11	62,147	8	4,117	506,245	1,159,630
Exchange differences on translation of foreign operations		—	—	—	—	—	—	2,219	—	2,219
Profit for the year		—	—	—	—	—	—	—	199,578	199,578
Total comprehensive income for the year		—	—	—	—	—	—	2,219	199,578	201,797
Repurchase and cancellation of shares	27(c)	(8)	(2,650)	—	—	—	8	—	(8)	(2,658)
Exercise of share options	27(d)	27	8,537	(2,446)	—	—	—	—	—	6,118
Equity-settled share option arrangements	28	—	—	5,538	—	—	—	—	—	5,538
2012 final dividend declared and paid	12	—	(48,265)	—	—	—	—	—	—	(48,265)
Transfer to statutory reserve		—	—	—	—	29,945	—	—	(29,945)	—
At 31 December 2013		8,385	528,634*	10,816*	11*	92,092*	16*	6,336*	675,870*	1,322,160

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2013

Attributable to ordinary equity holders of the Company									
Notes	Issued capital RMB'000 (Note 27)	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000 (Note 29(a))	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012	8,368	608,412	1,083	11	35,418	—	3,188	291,872	948,352
Exchange differences on translation of foreign operations	—	—	—	—	—	—	929	—	929
Profit for the year	—	—	—	—	—	—	—	241,110	241,110
Total comprehensive income for the year	—	—	—	—	—	—	929	241,110	242,039
Repurchase and cancellation of shares	27(a)	(8)	(2,203)	—	—	8	—	(8)	(2,211)
Exercise of share options	27(b)	6	1,664	(463)	—	—	—	—	1,207
Equity-settled share option arrangements	28	—	—	7,104	—	—	—	—	7,104
2011 final dividend declared and paid	12	—	(36,861)	—	—	—	—	—	(36,861)
Transfer to statutory reserve	—	—	—	—	26,729	—	—	(26,729)	—
At 31 December 2012	8,366	571,012*	7,724*	11*	62,147*	8*	4,117*	506,245*	1,159,630

* These reserve accounts comprise the consolidated reserves of RMB1,313,775,000 (2012: RMB1,151,264,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		309,624	298,634
Adjustments for:			
Finance costs	6	33	902
Interest income received from banks	5	(4,991)	(6,523)
Income derived from available-for-sale investments	5	(3,239)	(692)
Income derived from an entrusted loan receivable	5	(1,174)	—
Gain on disposal of items of property, plant and equipment	7	(194)	—
Depreciation	7	13,258	10,177
Amortisation of prepaid land lease payments	7	434	434
Amortisation of intangible assets	7	1,440	1,440
Equity-settled share option expense	7	5,538	7,104
		320,729	311,476
Decrease/(increase) in inventories		(13,771)	31,681
Increase in trade receivables		(7,727)	(22,991)
Decrease in prepayments, deposits and other receivables		8,428	1,589
Increase/(decrease) in trade and bills payables		7,653	(15,437)
Increase/(decrease) in other payables and accruals		13,038	(1,036)
Movements in balances with related parties		8,262	(2,224)
Exchange realignment		2,782	1,144
		339,394	304,202
Cash generated from operations		339,394	304,202
Interest received		4,991	6,523
Interest paid		(33)	(902)
PRC tax paid		(89,660)	(48,382)
		254,692	261,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14, 30(a)	(173,419)	(41,851)
Proceeds from disposal of items of property, plant and equipment		400	355
Deposits for purchase of items of property, plant and equipment		(2,084)	(64,351)
Deposits for purchase of intangible assets		—	(3,747)
Decrease/(increase) in available-for-sale investments		95,920	(95,920)
Income derived from available-for-sale investments		3,239	692
Decrease/(increase) in an entrusted loan receivable		80,000	(80,000)
Income derived from an entrusted loan receivable		1,174	—
Decrease/(increase) in pledged deposits		1,148	(52)
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		67,030	(74,030)
		73,408	(358,904)
Net cash flows from/(used in) investing activities		73,408	(358,904)

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2013

Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	33,500	20,000
Repayment of bank loans	(33,500)	(50,000)
Net proceeds from issue of ordinary shares	6,118	—
Payment for repurchase of ordinary shares	(2,658)	(2,211)
Dividend paid	(48,265)	(36,861)
Net cash flows used in financing activities	(44,805)	(69,072)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	568,847	735,597
Effect of foreign exchange rate changes, net	(563)	(215)
CASH AND CASH EQUIVALENTS AT END OF YEAR	851,579	568,847
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the consolidated statement of financial position	858,579	642,877
Non-pledged time deposits with original maturity of more than three months when acquired	(7,000)	(74,030)
23		
Cash and cash equivalents as stated in the consolidated statement of cash flows	851,579	568,847

Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	82,348	82,348
Total non-current assets		82,348	82,348
CURRENT ASSETS			
Amounts due from subsidiaries	17	376,749	432,382
Amount due from a related company	33(ii)	338	348
Prepayments and other receivables	20	216	5,559
Cash and cash equivalents	23	4,856	8,074
Total current assets		382,159	446,363
CURRENT LIABILITIES			
Accruals	25	4,301	3,202
Total current liabilities		4,301	3,202
NET CURRENT ASSETS			
		377,858	443,161
TOTAL ASSETS LESS CURRENT LIABILITIES			
		460,206	525,509
Net assets			
		460,206	525,509
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	27	8,385	8,366
Reserves	29(b)	451,821	517,143
Total equity		460,206	525,509

Li Zhenhui
Director

Hong Fang
Director

Notes to Financial Statements

31 December 2013

1. CORPORATE INFORMATION

Prince Frog International Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 11 January 2011. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is located at No. 162 North Huancheng Road, Longwen Industrial Development Zone, Zhangzhou City, Fujian Province, the People's Republic of China (the "PRC").

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to Financial Statements (continued)

31 December 2013

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Government Loans</i>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – <i>Transition Guidance</i>
IFRS 13	<i>Fair Value Measurement</i>
IAS 1 Amendments	Amendments to IAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits</i>
IAS 27 (Revised)	<i>Separate Financial Statements</i>
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i>
IAS 36 Amendments	Amendments to IAS 36 – <i>Recoverable Amount Disclosures for Non-Financial Assets</i> (early adopted)
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRS 10 and amendments to IAS 1, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

Notes to Financial Statements (continued)

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in SIC-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled. As a result of the application of IFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The IAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point of time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group.

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 9	<i>Financial Instruments</i> ⁴
IFRS 9, IFRS 7 and IAS 39 Amendments	Amendments to IFRS 9 <i>Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39</i> ⁴
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – <i>Investment Entities</i> ¹
IFRS 14	<i>Regulatory Deferral Accounts</i> ³
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> ²
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ¹
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
IFRIC 21	<i>Levies</i> ¹
<i>Annual Improvements 2010 - 2012 Cycle</i>	Amendments to a number of IFRSs issued in December 2013 ²
<i>Annual Improvements 2011 - 2013 Cycle</i>	Amendments to a number of IFRSs issued in December 2013 ²

Notes to Financial Statements (continued)

31 December 2013

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

- ¹ Effective for annual periods beginning on or after 1 January 2014
- ² Effective for annual periods beginning on or after 1 July 2014
- ³ Effective for annual periods beginning on or after 1 January 2016
- ⁴ No mandatory effective date yet determined but is available for adoption

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 of disposal, 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 an 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 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 (continued)

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 depreciates them accordingly.

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 $\frac{1}{3}$ %
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 end.

An item of property, plant and equipment including 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.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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 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.

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.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs, that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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.

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.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest earned whilst holding the available-for-sale financial investments are reported as interest income and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to 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 primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

Notes to Financial Statements (continued)

31 December 2013

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 objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and 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 write-off is later recovered, the recovery is credited to the income statement.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

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 are classified, at initial recognition, 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.

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

The Group's financial liabilities include trade and bills payables, other payables, financial liabilities included in accruals and interest-bearing bank borrowings.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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 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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position 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

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 and later reclassified to profit or loss when the hedged item affects profit or loss.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

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 current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to 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.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

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 consolidated 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.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside income statement 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.

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

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

- when 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.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF 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.

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.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

The functional currencies of certain subsidiaries operate outside Mainland China 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 prevailing 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 an operation outside Mainland China, the component of other comprehensive income relating to that particular operation is recognised in the income statement.

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

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 their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Notes to Financial Statements (continued)

31 December 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements

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

Impairment of non-financial 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 described below.

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.

Notes to Financial Statements (continued)

31 December 2013

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 and tissue 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.

The Group ceased its business operation of household hygiene products from 1 January 2013.

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

Segment assets exclude property, plant and equipment except for plant and machinery, prepaid land lease payments, prepayments, deposits and other receivables, an amount due from a related company, available-for-sale investments, an entrusted loan receivable, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude other payables and accruals, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Notes to Financial Statements (continued)

31 December 2013

4. OPERATING SEGMENT INFORMATION (continued)

	Children's personal care products RMB'000	Adults' personal care products RMB'000	Other products RMB'000	Total RMB'000
Year ended 31 December 2013				
Segment revenue:				
Sales to external customers	1,518,886	63,830	129,490	1,712,206
Segment results	648,937	19,287	32,364	700,588
Interest income derived from banks				4,991
Other unallocated income and gains				9,038
Corporate and other unallocated expenses				(404,960)
Finance costs				(33)
Profit before tax				309,624
Segment assets	190,670	5,317	29,757	225,744
<u>Reconciliation:</u>				
Corporate and other unallocated assets				1,242,275
Total assets				1,468,019
Segment liabilities	61,475	3,519	7,817	72,811
<u>Reconciliation:</u>				
Corporate and other unallocated liabilities				73,048
Total liabilities				145,859
Other segment information:				
Depreciation and amortisation*	5,808	58	403	6,269
Capital expenditure**	4,780	—	434	5,214

Notes to Financial Statements (continued)

31 December 2013

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
Year ended 31 December 2012					
Segment revenue:					
Sales to external customers	1,277,645	141,780	48,660	103,969	1,572,054
Segment results	500,843	32,204	5,997	26,245	565,289
Interest income derived from banks					6,523
Other unallocated income and gains					6,188
Corporate and other unallocated expenses					(278,464)
Finance costs					(902)
Profit before tax					298,634
Segment assets	169,855	112	4,257	30,586	204,810
Reconciliation:					
Corporate and other unallocated assets					1,059,602
Total assets					1,264,412
Segment liabilities	55,386	—	3,030	6,742	65,158
Reconciliation:					
Corporate and other unallocated liabilities					39,624
Total liabilities					104,782
Other segment information:					
Depreciation and amortisation*	4,994	16	52	327	5,389
Capital expenditure**	3,035	—	—	275	3,310

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

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

Notes to Financial Statements (continued)

31 December 2013

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

Information about major customers

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the years ended 31 December 2013 and 2012, therefore no information about major customers is presented.

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	
	2013 RMB'000	2012 RMB'000
<i>Revenue</i>		
Sales of goods	1,712,206	1,572,054
<i>Other income and gains</i>		
Interest income derived from banks	4,991	6,523
Income derived from available-for-sale investments	3,239	692
Income derived from an entrusted loan receivable	1,174	—
Government subsidies*	3,194	4,257
Net fair value gains on foreign exchange derivative financial instruments		
— transactions not qualified as hedges	343	418
Others	1,088	821
	14,029	12,711
	1,726,235	1,584,765

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

Notes to Financial Statements (continued)

31 December 2013

6. FINANCE COSTS

	Group	
	2013 RMB'000	2012 RMB'000
Interest on bank borrowings wholly repayable within five years	33	902

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Group	
		2013 RMB'000	2012 RMB'000
Cost of inventories sold		901,895	850,498
Depreciation*	14	13,258	10,177
Amortisation of prepaid land lease payments	15	434	434
Amortisation of intangible assets	16	1,440	1,440
Minimum lease payments under operating leases on land and buildings*		1,642	5,161
Gain on disposal of items of property, plant and equipment#		(194)	—
Employee benefit expenses* (including directors' remuneration (note 8)):			
Wages and salaries		87,746	71,579
Equity-settled share option expense		5,538	7,104
Retirement benefit scheme contributions		2,518	2,362
		95,802	81,045
Auditors' remuneration		2,201	1,709
Research and development costs#,^		6,785	5,186
Net foreign exchange loss, excluding net fair value gains on foreign exchange derivative financial instruments		3,257	1,784

These amounts are included in "Administrative expenses" in the consolidated income statement.

^ The research and development costs for the year include RMB4,164,000 (2012: RMB3,007,000) relating to rental expenses of research and development centers and staff costs for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

Notes to Financial Statements (continued)

31 December 2013

7. PROFIT BEFORE TAX (continued)

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

	Group	
	2013 RMB'000	2012 RMB'000
Depreciation	8,056	6,757
Minimum lease payments under operating leases on land and buildings	—	2,589
Employee benefit expenses	42,821	33,570
	50,877	42,916

8. DIRECTORS' REMUNERATION

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

	Group	
	2013 RMB'000	2012 RMB'000
Fees:		
Executive directors	3,800	3,569
Non-executive director	—	20
Independent non-executive directors	466	474
Other emoluments:		
Salaries and bonuses	—	—
Equity-settled share option expense	2,480	3,282
Retirement benefit scheme contributions	20	12
	6,766	7,357

During the years ended 31 December 2012 and 2011, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements and the report of the directors. The fair values of such options, which have been recognised in the income statement over the vesting period, were determined as at the dates of grants and the amounts included in the financial statements for the years ended 31 December 2013 and 2012 are included in the above directors' remuneration disclosures.

Notes to Financial Statements (continued)

31 December 2013

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Fees <i>RMB'000</i>	Equity-settled share option expense <i>RMB'000</i>	Total <i>RMB'000</i>
2013			
Mr. Chen Shaojun	160	57	217
Mr. Ren Yunan	153	57	210
Mr. Wong Wai Ming	153	57	210
	466	171	637

	Fees <i>RMB'000</i>	Equity-settled share option expense <i>RMB'000</i>	Total <i>RMB'000</i>
2012			
Mr. Chen Shaojun	158	64	222
Mr. Ren Yunan	158	64	222
Mr. Wong Wai Ming	158	64	222
	474	192	666

There were no other emoluments payable to the independent non-executive directors during the year.

Notes to Financial Statements (continued)

31 December 2013

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director

	Fees RMB'000	Salaries and bonuses RMB'000	Equity-settled share option expense RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2013					
Executive directors:					
Mr. Li Zhenhui*	1,200	—	401	4	1,605
Mr. Xie Jinling	500	—	477	4	981
Mr. Ge Xiaohua	600	—	477	4	1,081
Mr. Huang Xinwen	600	—	477	4	1,081
Ms. Hong Fang	900	—	477	4	1,381
	3,800	—	2,309	20	6,129

	Fees RMB'000	Salaries and bonuses RMB'000	Equity-settled share option expense RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2012					
Executive directors:					
Mr. Li Zhenhui*	1,122	—	778	2	1,902
Mr. Xie Jinling	482	—	578	2	1,062
Mr. Ge Xiaohua	558	—	578	4	1,140
Mr. Huang Xinwen	558	—	578	2	1,138
Ms. Hong Fang	849	—	578	2	1,429
	3,569	—	3,090	12	6,671
Non-executive director:					
Mr. Yang Feng**	20	—	—	—	20
	3,589	—	3,090	12	6,691

Notes to Financial Statements (continued)

31 December 2013

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director (continued)

- * Mr. Li Zhenhui is also the chief executive officer of the Company.
- ** Mr. Yang Feng resigned as a non-executive director of the Company on 30 May 2012.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Mr. Yang Feng initiatively gave up his six-month director's remuneration of HK\$72,000 (equivalent to approximately RMB59,000)).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2012: five) directors, details of whose remuneration are set out in note 8 above.

During the year, no remuneration was paid by the Group to the directors, who are the five highest paid employees, as an inducement to join or upon joining the Group or as compensation for loss of office.

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 year (2012: 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	
	2013 RMB'000	2012 RMB'000
Current - Mainland China		
Charge for the year	104,046	49,881
Underprovision in prior year	—	2,743
	104,046	52,624
Deferred (note 26)	6,000	4,900
Total tax charge for the year	110,046	57,524

Notes to Financial Statements (continued)

31 December 2013

10. INCOME TAX EXPENSE (continued)

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, which is 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 ("Tax Holiday"). Following the expiration of the Tax Holiday, the applicable income tax rate of Frog Prince (China) increased from 12.5% to 25%.

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	
	2013 RMB'000	2012 RMB'000
Profit before tax	309,624	298,634
Tax at the applicable tax rates	79,246	76,564
Lower tax rate due to Tax Holiday	—	(40,131)
Adjustments in respect of current tax of previous year	—	2,743
Income not subject to tax	(99)	(310)
Expenses not deductible for tax	22,567	11,070
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiary	6,000	4,900
Others	2,332	2,688
Tax charge at the Group's effective tax rates	110,046	57,524

11. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to the equity holders of the Company for the year ended 31 December 2013 includes a loss of RMB26,036,000 (2012: RMB21,207,000) which has been dealt with in the financial statements of the Company (note 29(b)).

Notes to Financial Statements (continued)

31 December 2013

12. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Dividend paid during the year:		
Final - HK6.0 cents (2012: HK4.5 cents) per ordinary share	48,265 ⁽ⁱⁱ⁾	36,861 ⁽ⁱ⁾
Proposed final		
HK5.0 cents (2012: HK6.0 cents) per ordinary share	39,723 ⁽ⁱⁱⁱ⁾	48,184 ⁽ⁱⁱ⁾

⁽ⁱ⁾ In respect of the financial year ended 31 December 2011

⁽ⁱⁱ⁾ In respect of the financial year ended 31 December 2012

⁽ⁱⁱⁱ⁾ In respect of the financial year ended 31 December 2013

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

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to the equity holders of the Company of RMB199,578,000 (2012: RMB241,110,000) and the weighted average number of ordinary shares in issue during the year of 1,010,008,399 (2012: 1,007,842,889).

The calculation of diluted earnings per share amount is based on the profit for the year attributable to the equity holders of the Company of RMB199,578,000 (2012: RMB241,110,000). The weighted average number of ordinary shares of 1,018,055,514 (2012: 1,010,875,485) used in the calculation is the weighted average number of ordinary shares of 1,010,008,399 (2012: 1,007,842,889) in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares during the year of 8,047,115 (2012: 3,032,596).

Notes to Financial Statements (continued)

31 December 2013

14. 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
31 December 2013						
Cost:						
At 1 January 2013	100,473	46,872	4,431	4,190	36,162	192,128
Additions	92	5,214	1,314	1,121	222,841	230,582
Disposals	—	—	—	(1,158)	—	(1,158)
Transfers	77,510	491	—	—	(78,001)	—
At 31 December 2013	178,075	52,577	5,745	4,153	181,002	421,552
Accumulated depreciation:						
At 1 January 2013	8,895	5,392	839	2,427	—	17,553
Provided during the year	6,909	4,829	755	765	—	13,258
Disposals	—	—	—	(952)	—	(952)
At 31 December 2013	15,804	10,221	1,594	2,240	—	29,859
Net book value:						
At 31 December 2013	162,271	42,356	4,151	1,913	181,002	391,693

Notes to Financial Statements (continued)

31 December 2013

14. 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 2012						
Cost:						
At 1 January 2012	100,473	34,458	3,768	4,190	7,090	149,979
Additions	—	3,310	665	—	38,615	42,590
Disposals	—	(439)	(2)	—	—	(441)
Transfers	—	9,543	—	—	(9,543)	—
At 31 December 2012	100,473	46,872	4,431	4,190	36,162	192,128
Accumulated depreciation:						
At 1 January 2012	4,068	1,528	222	1,644	—	7,462
Provided during the year	4,827	3,949	618	783	—	10,177
Disposals	—	(85)	(1)	—	—	(86)
At 31 December 2012	8,895	5,392	839	2,427	—	17,553
Net book value:						
At 31 December 2012	91,578	41,480	3,592	1,763	36,162	174,575

Included in "Buildings" were certain self-used properties with net carrying amounts of approximately RMB59,674,000 (2012: Nil) of which the Group has not yet obtained the building ownership certificates. Up to the date of approval of these financial statements, the Group is still in the process of applying for the building ownership certificates in respect of the aforementioned properties.

Notes to Financial Statements (continued)

31 December 2013

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January	20,032	20,466
Recognised during the year	(434)	(434)
Carrying amount at 31 December	19,598	20,032
Current portion included in prepayments, deposits and other receivables	(434)	(434)
Non-current portion	19,164	19,598

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

16. INTANGIBLE ASSETS

Group

	Trademarks RMB'000	Copyrights RMB'000	Total RMB'000
Cost:			
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	160	7,120	7,280
Accumulated amortisation:			
At 1 January 2012	32	1,305	1,337
Provided during the year	16	1,424	1,440
At 31 December 2012 and 1 January 2013	48	2,729	2,777
Provided during the year	16	1,424	1,440
At 31 December 2013	64	4,153	4,217
Net carrying amount:			
At 31 December 2013	96	2,967	3,063
At 31 December 2012	112	4,391	4,503

Notes to Financial Statements (continued)

31 December 2013

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	82,348	82,348

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

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment and business	Nominal value of issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Prince Frog Investment Limited ("Prince Frog Investment") (note 1)	British Virgin Islands	US\$30 (2012: US\$30)	100	—	Investment holding
Prince Frog (HK) Daily Chemicals Company Limited ("Prince Frog (HK)") (note 1)	Hong Kong	HK\$10,100 (2012: 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\$60,000,000 (2012: US\$56,000,000)	—	100	Manufacture and sale of personal care products

Notes:

- Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.
- Frog Prince (China), a wholly-foreign-owned enterprise under the law of the PRC, increased its registered capital from US\$55,000,000 to US\$60,000,000 during the year ended 31 December 2012, of which US\$56,000,000 was paid up as at 31 December 2012. The commitment as at 31 December 2012 of US\$4,000,000 (equivalent to approximately RMB25,142,000) is disclosed in note 32 to the financial statements.

Notes to Financial Statements (continued)

31 December 2013

18. INVENTORIES

	Group	
	2013 RMB'000	2012 RMB'000
Raw materials	12,914	14,794
Work in progress	2,462	2,897
Finished goods	41,232	25,146
	56,608	42,837

19. TRADE RECEIVABLES

	Group	
	2013 RMB'000	2012 RMB'000
Trade receivables	123,717	115,990

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

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

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

	Group	
	2013 RMB'000	2012 RMB'000
Within 30 days	81,203	65,362
31 to 60 days	40,533	43,017
61 to 90 days	688	5,784
Over 90 days	1,293	1,827
	123,717	115,990

Notes to Financial Statements (continued)

31 December 2013

19. TRADE RECEIVABLES (continued)

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

	Total <i>RMB'000</i>	Neither past due nor impaired <i>RMB'000</i>	Past due but not impaired 1 to 30 days <i>RMB'000</i>	Over 30 days <i>RMB'000</i>
2013	123,717	86,582	35,257	1,878
2012	115,990	66,876	43,523	5,591

The Group's trade 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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Prepayments	3,837	7,387
Deposits for purchase of items of property, plant and equipment	9,153	7,975
Deposits for construction contracts	119	56,376
Deposits for purchase of intangible assets	—	3,747
Deposits and other receivables	433	1,564
	13,542	77,049
Less: non-current portion	(9,372)	(68,198)
	4,170	8,851

Notes to Financial Statements (continued)

31 December 2013

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

	Company	
	2013 RMB'000	2012 RMB'000
Prepayments	—	4,128
Other receivables	216	1,431
	216	5,559

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.

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013 RMB'000	2012 RMB'000
Unlisted investment funds, at cost	—	95,920

As at 31 December 2012, the unlisted investment funds with a carrying amount of RMB95,920,000 were stated at cost less impairment because the unlisted investment funds do not have quoted market price in an active market and whose fair value cannot be measured reliably.

22. ENTRUSTED LOAN RECEIVABLE

	Group	
	2013 RMB'000	2012 RMB'000
Entrusted loan receivable	—	80,000

During the year ended 31 December 2012, the Group subscribed an entrusted loan financing arrangement (the "Arrangement") with China Merchants Bank in the PRC (the "Bank") as the loan administrator, and China Foreign Economy and Trade Trust Co., Ltd. as the trustee. Pursuant to the Arrangement, the Group advanced a total of RMB80,000,000 as a short-term entrusted loan to a third party.

In the opinion of the directors, the entrusted loan receivable was not impaired as at 31 December 2012. It was unsecured, interest-bearing and was fully recovered during the year.

Notes to Financial Statements (continued)

31 December 2013

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group	
	2013 RMB'000	2012 RMB'000
Cash and bank balances	845,229	558,645
Time deposits	13,350	85,380
	858,579	644,025
Less: Pledged time deposits: Pledged for bills payables	—	(1,148)
Cash and cash equivalents	858,579	642,877

	Company	
	2013 RMB'000	2012 RMB'000
Cash and bank balances	4,856	8,074
Cash and cash equivalents	4,856	8,074

At 31 December 2013, the Group's cash and bank balances and time deposits denominated in RMB amounted to RMB825,375,000 (2012: RMB538,746,000) and RMB13,350,000 (2012: RMB85,380,000), respectively. RMB is not freely convertible into other currencies, however, 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 eight days and seven months (2012: seven days and six months), and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

Included in the 31 December 2013 balance are time deposits of RMB7,000,000 (2012: RMB74,030,000) of which the original maturity is more than three months when acquired.

Notes to Financial Statements (continued)

31 December 2013

24. 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	
	2013 RMB'000	2012 RMB'000
Within 1 month	55,354	37,300
1 to 3 months	17,451	27,858
Over 3 months	6	—
	72,811	65,158

The trade and bills payables are non-interest-bearing and are normally settled on one to six months' terms. As at 31 December 2012, the bills payables were secured by the pledge of certain of the Group's time deposits amounting to RMB1,148,000 (note 23).

25. OTHER PAYABLES AND ACCRUALS

	Group	
	2013 RMB'000	2012 RMB'000
Other payables and accruals	28,761	16,926
Other tax payables	7,811	6,608
	36,572	23,534

	Company	
	2013 RMB'000	2012 RMB'000
Accruals	4,301	3,202

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

Notes to Financial Statements (continued)

31 December 2013

26. DEFERRED TAX LIABILITIES

Group

	Withholding taxes RMB'000
At 1 January 2012	—
Deferred tax charged to the income statement during the year (note 10)	4,900
At 31 December 2012 and 1 January 2013	4,900
Deferred tax charged to the income statement during the year (note 10)	6,000
At 31 December 2013	10,900

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 Mainland 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.

At 31 December 2013, there were no significant unrecognised deferred tax liabilities (2012: Nil) for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiary expected to be distributed, after considering the abovementioned factors, in the foreseeable future.

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

Notes to Financial Statements (continued)

31 December 2013

27. ISSUED CAPITAL

	2013 RMB'000	2012 RMB'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.01 each	41,524	41,524
Issued and fully paid:		
1,010,414,000 (2012: 1,008,026,000) ordinary shares of HK\$0.01 each	8,385	8,366

The following changes in the Company's issued share capital took place during the current and last years:

	Notes	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000	RMB'000
Issued ordinary shares:				
As at 1 January 2012		1,008,250,000	10,083	8,368
Repurchase and cancellation of shares	(a)	(1,000,000)	(10)	(8)
Exercise of share options	(b)	776,000	8	6
As at 31 December 2012		1,008,026,000	10,081	8,366
Repurchase and cancellation of shares	(c)	(984,000)	(10)	(8)
Exercise of share options	(d)	3,372,000	34	27
As at 31 December 2013		1,010,414,000	10,105	8,385

Notes:

- (a) During the year ended 31 December 2012, the Company repurchased its 1,000,000 ordinary shares at prices ranging from HK\$2.60 to HK\$2.78 per share at a total consideration of approximately HK\$2,711,000 (equivalent to RMB2,211,000). The 1,000,000 repurchased ordinary shares were cancelled during that year. The premium of approximately HK\$2,701,000 (equivalent to RMB2,203,000) paid on the repurchase of such shares was debited to the share premium account and an amount of HK\$10,000 (equivalent to RMB8,000) was transferred from retained profits of the Company to the capital redemption reserve.

Notes to Financial Statements (continued)

31 December 2013

27. ISSUED CAPITAL (continued)

Notes: (continued)

- (b) During the year ended 31 December 2012, the subscription rights attaching to 776,000 share options granted under the 2011 Options (as defined in note 28) were exercised at the subscription price of HK\$1.92 per share, resulting in the issue of 776,000 shares of HK\$0.01 each for a total cash consideration before expenses of approximately HK\$1,490,000 (equivalent to RMB1,207,000, representing nominal value of ordinary shares of RMB6,000 and share premium of RMB1,201,000). An amount of approximately HK\$571,000 (equivalent to RMB463,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (c) During the year, the Company repurchased its 984,000 ordinary shares at prices ranging from HK\$3.11 to HK\$3.69 per share at a total consideration of approximately HK\$3,367,000 (equivalent to RMB2,658,000). The 984,000 repurchased ordinary shares were cancelled during the year. The premium of approximately HK\$3,357,000 (equivalent to RMB2,650,000) paid on the repurchase of such shares was debited to the share premium account and an amount of approximately HK\$10,000 (equivalent to RMB8,000) was transferred from retained profits of the Company to the capital redemption reserve.
- (d) During the year, the subscription rights attaching to 2,208,000 share options and 1,164,000 share options granted under the 2011 Options and the 2012 Options, respectively (as defined in note 28) were exercised at the subscription price of HK\$1.92 per share and HK\$2.94 per share, respectively, resulting in the issue of 3,372,000 shares of HK\$0.01 each for a total cash consideration before expenses of approximately HK\$7,662,000 (equivalent to RMB6,118,000, representing nominal value of ordinary shares of RMB27,000 and share premium of RMB6,091,000). An amount of approximately HK\$3,111,000 (equivalent to RMB2,446,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

28. 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 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.

Notes to Financial Statements (continued)

31 December 2013

28. SHARE OPTION SCHEME (continued)

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 and with an aggregate value (based on the closing 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 period of the share options granted is determinable by the directors, and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price of share options is determinable by the directors, but may not be less than 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.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme at the end of the reporting period:

	31 December 2013		31 December 2012	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	2.37	21,304	1.92	12,966
Granted during the year	—	—	2.94	9,394
Forfeited during the year	2.48	(598)	1.92	(280)
Exercise of share options	2.27	(3,372)	1.92	(776)
At 31 December	2.39	17,334	2.37	21,304

Notes to Financial Statements (continued)

31 December 2013

28. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2013 Number of options '000	Exercise price HK\$ per share	Exercise period
9,434	1.92	14-10-2012 to 13-10-2021
7,900	2.94	21-06-2013 to 20-06-2022
<u>17,334</u>		
2012 Number of options '000	Exercise price HK\$ per share	Exercise period
11,910	1.92	14-10-2012 to 13-10-2021
9,394	2.94	21-06-2013 to 20-06-2022
<u>21,304</u>		

The fair value of the share options granted during the year ended 31 December 2011 (the "2011 Options") was RMB7,817,000 (RMB0.60 each). The fair value of the share options granted during the year ended 31 December 2012 was RMB8,329,000 (RMB0.89 each) (the "2012 Options"). The Group recognised share option expenses of a total of RMB5,538,000 (2012: RMB7,104,000) in respect of the 2011 Options and the 2012 Options during the year ended 31 December 2013.

Notes to Financial Statements (continued)

31 December 2013

28. SHARE OPTION SCHEME (continued)

The fair values of equity-settled share options granted during the year ended 31 December 2012 were estimated as at the date of grant, using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share options granted on 21 June 2012
Dividend yield (%)	1.78
Expected volatility (%)	37.6
Risk-free interest rate (%)	1.0
Expected life of options (year)	8–10
Price of the Company's shares at date of grant (HK\$ per share)	2.94

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 17,334,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,334,000 additional ordinary shares of the Company and additional share capital of approximately HK\$173,000 (equivalent to approximately RMB136,000) and share premium of approximately HK\$41,166,000 (equivalent to approximately RMB32,366,000), before issue expenses.

At the date of approval of these financial statements, the Company had 17,257,000 share options outstanding under the Scheme, which represented approximately 1.7% of the Company's shares in issue as at that date.

29. RESERVES

(a) Group

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

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 (continued)

31 December 2013

29. RESERVES (continued)

(b) Company

	Share premium RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	608,412	(4,613)	—	1,083	(35,773)	569,109
Loss for the year and total comprehensive expense for the year	—	—	—	—	(21,207)	(21,207)
Repurchase of shares	(2,203)	—	8	—	(8)	(2,203)
Equity-settled share option arrangements	—	—	—	7,104	—	7,104
2011 final dividend declared and paid	(36,861)	—	—	—	—	(36,861)
Exercise of share options	1,664	—	—	(463)	—	1,201
At 31 December 2012 and 1 January 2013	571,012	(4,613)	8	7,724	(56,988)	517,143
Loss for the year and total comprehensive expense for the year	—	—	—	—	(26,036)	(26,036)
Repurchase of shares	(2,650)	—	8	—	(8)	(2,650)
Equity-settled share option arrangements	—	—	—	5,538	—	5,538
2012 final dividend declared and paid	(48,265)	—	—	—	—	(48,265)
Exercise of share options	8,537	—	—	(2,446)	—	6,091
At 31 December 2013	528,634	(4,613)	16	10,816	(83,032)	451,821

Notes to Financial Statements (continued)

31 December 2013

29. RESERVES (continued)

(b) Company (continued)

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.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) During the year ended 31 December 2013, deposits for purchase of items of property, plant and equipment and construction projects of RMB906,000 (2012: RMB739,000) and RMB56,257,000 (2012: Nil), respectively, as at 31 December 2012 were transferred to property, plant and equipment.
- (b) During the year ended 31 December 2012, consideration for the exercise of 776,000 share options of HK\$1,490,000 (equivalent to RMB1,207,000) receivable from a third party was recorded in "Prepayments, deposits and other receivables" in the consolidated statement of financial position as at 31 December 2012.

31. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its warehouses and office premises under operating lease arrangements. Leases for properties are negotiated for terms of six months to three years (2012: six months to five years) with an option for renewal after that date, at which times all terms will be renegotiated.

Notes to Financial Statements (continued)

31 December 2013

31. OPERATING LEASE ARRANGEMENTS (continued)

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

	Group	
	2013 RMB'000	2012 RMB'000
Within one year	912	1,212
In the second to fifth years, inclusive	249	496
	1,161	1,708

At the end of the reporting period, the Company did not have any significant operating lease arrangements.

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013 RMB'000	2012 RMB'000
Contracted, but not provided for:		
Construction of buildings	79,590	201,673
Purchase of items of property, plant and equipment	2,527	3,683
	82,117	205,356
Contracted for commitment in respect of investment in a wholly-foreign-owned subsidiary in the PRC	—	25,142
	82,117	230,498

At the end of the reporting period, the Company did not have any significant commitments.

Notes to Financial Statements (continued)

31 December 2013

33. 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 year:

	Notes	2013 RMB'000	2012 RMB'000
Related companies:			
Sales of products	(a)	6,800	16,921
Rental expenses	(b)	249	3,409
Subcontracting fees	(c)	—	6,104
Sales of raw materials and finished goods	(d)	—	2,514
Purchase of plant and machinery	(e)	—	108
Sales of plant and machinery	(e)	—	355

Notes:

- (a) Sales to related companies, Shuangfei Daily Chemicals (USA) Inc. ("Shuangfei (USA)"), which is controlled by Mr. Li Zhenhui ("Mr. Li") and Mr. Xie Jinling ("Mr. Xie"), of RMB6,800,000 (2012: RMB16,921,000), were made on mutually agreed terms.
- (b) Frog Prince (China), a wholly-owned subsidiary of the Group, and Fujian Shuangfei Daily Chemicals Co., Ltd. ("Fujian Shuangfei"), which is controlled by Mr. Li and Mr. Xie, entered into buildings, equipment and vehicles lease agreements on 1 January 2010 and two supplementary lease agreements on 26 January 2011 and 14 February 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. Except for the leasing of buildings with a total floor area of 4,846 square metres which is for a fifty-nine months lease period ending 1 December 2014 with a fixed monthly rental payable of approximately RMB27,000, the other terms of the lease under the agreements are three years with a fixed monthly rental payable of approximately RMB53,000 for the production premises and office building and approximately 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. The lease of buildings with a total floor area of 4,846 square metres was early terminated on 31 December 2012.

On 1 January 2013, Frog Prince (China) and Fujian Shuangfei entered into a supplementary lease agreement. Pursuant to this agreement, Frog Prince (China) leases from Fujian Shuangfei an office building with a total floor area of 2,437 square metres which is for a lease period of thirty-six months ending 31 December 2015 with a fixed monthly rental payable of approximately RMB21,000.

Notes to Financial Statements (continued)

31 December 2013

33. RELATED PARTY TRANSACTIONS (continued)

(i) (continued)

Notes: (continued)

- (c) The directors confirmed that the subcontracting fees paid to Fujian Shuangfei were made on mutually agreed terms.
- (d) The directors confirmed that the sales to Fujian Shuangfei were made on mutually agreed terms.
- (e) The directors confirmed that the plant and machinery purchased from and sold to Fujian Shuangfei were made on mutually agreed terms.

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

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

Group

Year ended 31 December 2013

Name	31 December 2013 RMB'000	Maximum amount outstanding during the year RMB'000	1 January 2013 RMB'000
Related company Shuangfei USA	1,653	12,173	9,915

Company

Name	31 December 2013 RMB'000	Maximum amount outstanding during the year RMB'000	1 January 2013 RMB'000
Related company Shuangfei USA	338	348	348

Notes to Financial Statements (continued)

31 December 2013

33. RELATED PARTY TRANSACTIONS (continued)

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

Group

Year ended 31 December 2012

Name	31 December 2012 RMB'000	Maximum amount outstanding during the year RMB'000	1 January 2012 RMB'000
Related company			
Shuangfei USA	9,915	20,163	7,691

Company

Name	31 December 2012 RMB'000	Maximum amount outstanding during the year RMB'000	1 January 2012 RMB'000
Related company			
Shuangfei USA	348	348	—

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

(iii) Commitments with related parties

On 1 January 2013, Frog Prince (China) and Fujian Shuangfei entered into a supplementary lease agreement. Pursuant to this agreement, Frog Prince (China) leases from Fujian Shuangfei an office building with a total floor area of 2,437 square metres which is for a lease period of thirty-six months ending 31 December 2015 with a fixed monthly rental payable of approximately RMB21,000. The amount of total rental expenses incurred for the year is included in note 33(i)(b) to the financial statements. The Group expects total rental expenses payable to Fujian Shuangfei during the years ending 31 December 2014 and 2015 to be approximately RMB252,000 and RMB252,000, respectively.

Notes to Financial Statements (continued)

31 December 2013

33. RELATED PARTY TRANSACTIONS (continued)

- (iv) Compensation of key management personnel of the Group

Further details of directors' and the chief executive's remuneration are included in note 8 to these financial statements.

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

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Group	
	2013 RMB'000	2012 RMB'000
<i>Available-for-sale investments</i>	—	95,920
<i>Loans and receivables</i>		
Trade receivables	123,717	115,990
Amount due from a related company	1,653	9,915
Financial assets included in prepayments, deposits and other receivables	493	1,564
Entrusted loan receivable	—	80,000
Pledged deposits	—	1,148
Cash and cash equivalents	858,579	642,877
	984,442	851,494

Notes to Financial Statements (continued)

31 December 2013

34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

Financial liabilities at amortised cost

	Group	
	2013 RMB'000	2012 RMB'000
Trade and bills payables	72,811	65,158
Financial liabilities included in other payables and accruals	13,881	7,795
	86,692	72,953

Financial assets

Loans and receivables

	Company	
	2013 RMB'000	2012 RMB'000
Amounts due from subsidiaries	376,749	432,382
Amount due from a related company	338	348
Financial assets included in other receivables	216	1,431
Cash and cash equivalents	4,856	8,074
	382,159	442,235

Financial liabilities

Financial liabilities at amortised cost

	Company	
	2013 RMB'000	2012 RMB'000
Financial liabilities included in accruals	2,201	1,703

Notes to Financial Statements (continued)

31 December 2013

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, an entrusted loan receivable, financial liabilities included in other payables and accruals and an amount due from a related company approximate to their carrying amounts largely due to the short term maturities of these instruments. For the Group's unlisted available-for-sale investments, they were stated at cost less impairment because they are unlisted investment funds that do not have quoted market price in an active market and whose fair value cannot be measured reliably.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise pledged deposits, cash and cash equivalents, available-for-sale investments and an entrusted loan receivable. 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 receivables, an amount due from a related company, financial assets included in prepayments, deposits and other receivables, trade and bills payables and financial liabilities included in other payables and accruals, 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 year 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:

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.

Notes to Financial Statements (continued)

31 December 2013

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales transactions and financing denominated in US dollars ("US\$") and HK dollars ("HK\$").

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US\$ and HK\$ exchange rates, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in US\$/HK\$ rate %	Increase/(decrease) in profit before tax	
		2013 RMB'000	2012 RMB'000
If RMB weakens against US\$	5	1,537	1,386
If RMB strengthens against US\$	(5)	(1,537)	(1,386)
If RMB weakens against HK\$	5	47	19
If RMB strengthens against HK\$	(5)	(47)	(19)

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 an amount due from a related company 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 19 to the financial statements.

Notes to Financial Statements (continued)

31 December 2013

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	On demand and less than 1 year	
	2013 RMB'000	2012 RMB'000
Trade and bills payables	72,811	65,158
Financial liabilities included in other payables and accruals	13,881	7,795
	86,692	72,953

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 objectives of the Group's capital management are 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 years ended 31 December 2013 and 2012.

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.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2014.

Summary Financial Information

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below.

RESULTS

	Year ended 31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	1,712,206	1,572,054	1,269,167	837,991	624,396
Profit before tax	309,624	298,634	218,466	167,900	126,266
Income tax expense	110,046	57,524	34,521	23,431	34,467
Profit attributable to the equity holders of the Company for the year	199,578	241,110	183,945	144,469	91,799

ASSETS AND LIABILITIES

	As at 31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Total assets	1,468,019	1,264,412	1,090,465	309,474	315,859
Total liabilities	145,859	104,782	142,113	163,819	169,261
	1,322,160	1,159,630	948,352	145,655	146,598

Notes:

- (i) The summary of the consolidated results of the Group for each of the two years ended 31 December 2009 and 2010 and of the assets and liabilities as at 31 December 2009 and 2010 have been extracted from the prospectus of the Company dated 30 June 2011 (the "Prospectus"). Such summary is presented on the basis as set out in the Prospectus.
- (ii) The consolidated results of the Group for the three years ended 31 December 2011, 2012 and 2013 and the consolidated assets and liabilities of the Group as at 31 December 2011, 2012 and 2013 extracted from the published audited financial statements. Such summary for the year ended 31 December 2011 was prepared as if the current structure of the Group had been in existence throughout that financial year.

The summary above does not form part of the audited financial statements.