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PRINCE FROG INTERNATIONAL HOLDINGS LIMITED

青蛙王子國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1259)

VOLUNTARY ANNOUNCEMENT BUSINESS UPDATE

This voluntary announcement is made by the board of directors (the “**Board**”) of Prince Frog International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) to update investors as to the decision of the Board to cease the Group’s business operations of household hygiene products from 1 January 2013, including but not limited to the continuing connected transactions in relation to the household hygiene products under the process outsourcing agreement between the Group and Fujian Shuangfei Daily Chemicals Co., Ltd. As disclosed in the prospectus of the Company dated 30 June 2011, the household hygiene products business segment is not the core business of the Group.

The Board has conducted a review for the current business operations of the Group with the view to optimize the allocation of resources of the Group to improve business focus and efficiency of the Group. The following were noted during such review:

1. Leveraging on the Group’s successful listing of its shares on the Stock Exchange of Hong Kong Limited on 15 July 2011 (the “**Listing**”), and our position as the leading domestic brand of children care products in China, the Group has intensified our focus on the development of children care products as its core business and strengthen and further developed its 青蛙王子 (Frog Prince) brand and product range. The turnover of the children personal care business segment of the Group has since increased substantially with penetration of new geographical areas and distribution channels.

The range of children personal care products being marketed by the Group has also increased substantially since the Listing, which negates the earlier purpose of requiring the household hygiene products offerings to entice distributor interests in the Group's overall products offerings and reduce the impact of seasonality on sales. In addition, the Group has recently launched ein.b, a personal care brand mainly for new-born babies from 0 to 3 years old and pregnant women, which the Board believes can further extend the product offerings of the Group.

With the significant growth in the children personal care business segment, there has been noticeable increase in demands for resources, both financial and operational, to support and sustain the growth of such business of the Group; and

2. While the Group continues to focus on developing its core business to achieve increasing returns and better results, the revenue of the Group's household hygiene products for the year ended 31 December 2011 did not grow significantly compared to the year of 2010; and the revenue of the household hygiene products for the six months ended 30 June 2012 decreased by 17% in comparison with the corresponding period in 2011. In addition, due to rising production costs, overall gross margins for household hygiene products have decreased from 28.9% for the year ended 31 December 2011 to 26.3% for the six months ended 30 June 2012.

The Board expects the gross margin of household hygiene products to continue to face downward pressures due to increasing production costs. The turnover and gross profit contributions from the household hygiene products business segment have been on a decreasing trend.

Having discussed and considered the above, the Board decided to cease all household hygiene products business operations from 1 January 2013 in order to focus on the core personal baby and children care products business segment of the Group. The Board believes that the reallocation of resources will allow the Group to enhance its business focus and overall operation, and further strengthen the Company's 青蛙王子 (Frog Prince) brand as the leading domestic brand of children personal care products.

The Board has considered the historical and projected business and financial contributions from the household hygiene products business operations and believes that the cessation of this business segment will not have any material adverse effect on the overall financial performance of the Company.

The Board is excited about the new business direction of the Group and is confident that its latest positioning as a pure personal care products company will further enhance the competitiveness and business prospects of the Group. The Board confirms that there are no other issues that need to be brought to the attention of the investors.

By order of the Board
Prince Frog International Holdings Limited
Hong Fang
Company Secretary and Director

Hong Kong, 13 November 2012

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