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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Financial highlights for the year ended 31 December 2013:

Revenue increased by about 8.9% over the same period in 2012 to approximately RMB1,712.2 million, and the revenue from children's personal care products increased by about 18.9% after take it into account the effects on revenue of ceasing the business of household hygiene products.

Gross profit increased by about 12.3% over the same period in 2012 to approximately RMB810.3 million

Gross profit margin increased by around 1.4 percentage points over the same period in 2012 to approximately 47.3%

Profit before tax increased by about 3.7% over the same period in 2012 to approximately RMB309.6 million

Basic earnings per share attributable to the equity holders of the Company decreased by about 17.2% over the same period in 2012 to approximately RMB19.8 cents

The board of directors (the “**Board**”) of Prince Frog International Holdings Limited (“**Prince Frog**” or the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2013, together with the comparative figures for the year 2012, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

		2013	2012
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	4	1,712,206	1,572,054
Cost of sales		<u>(901,895)</u>	<u>(850,498)</u>
Gross profit		810,311	721,556
Other income and gains	4	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	5	<u>(33)</u>	<u>(902)</u>
PROFIT BEFORE TAX	6	309,624	298,634
Income tax expense	7	<u>(110,046)</u>	<u>(57,524)</u>
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE YEAR		<u><u>199,578</u></u>	<u><u>241,110</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	9		
Basic		<u><u>RMB19.8 cents</u></u>	<u><u>RMB23.9 cents</u></u>
Diluted		<u><u>RMB19.6 cents</u></u>	<u><u>RMB23.9 cents</u></u>

Details of the dividends are disclosed in note 8 to the announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

		2013	2012
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		391,693	174,575
Prepaid land lease payments		19,164	19,598
Intangible assets		3,063	4,503
Prepayments and deposits		9,372	68,198
		<hr/>	<hr/>
Total non-current assets		423,292	266,874
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		56,608	42,837
Trade receivables	10	123,717	115,990
Amount due from a related company		1,653	9,915
Prepayments, deposits and other receivables		4,170	8,851
Available-for-sale investments		—	95,920
Entrusted loan receivable		—	80,000
Pledged deposits		—	1,148
Cash and cash equivalents		858,579	642,877
		<hr/>	<hr/>
Total current assets		1,044,727	997,538
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	11	72,811	65,158
Other payables and accruals		36,572	23,534
Tax payable		25,576	11,190
		<hr/>	<hr/>
Total current liabilities		134,959	99,882
		<hr/>	<hr/>
NET CURRENT ASSETS		909,768	897,656
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*CONTINUED*)

As at 31 December 2013

	<i>Notes</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u>1,333,060</u>	<u>1,164,530</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities		<u>10,900</u>	<u>4,900</u>
Net assets		<u>1,322,160</u>	<u>1,159,630</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		8,385	8,366
Reserves		<u>1,313,775</u>	<u>1,151,264</u>
Total equity		<u>1,322,160</u>	<u>1,159,630</u>

Notes:

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 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.

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>
<i>Annual Improvements 2009-2011 Cycle</i>	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.

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 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.

3. OPERATING SEGMENT INFORMATION

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

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

3. OPERATING SEGMENT INFORMATION (*CONTINUED*)

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, tax recoverable 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.

3. OPERATING SEGMENT INFORMATION (*CONTINUED*)

	Children's personal care products <i>RMB'000</i>	Adults' personal care products <i>RMB'000</i>	Other products <i>RMB'000</i>	Total <i>RMB'000</i>
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				<u>309,624</u>
Segment assets	190,670	5,317	29,757	225,744
<u>Reconciliation:</u>				
Corporate and other unallocated assets				<u>1,242,275</u>
Total assets				<u>1,468,019</u>
Segment liabilities	61,475	3,519	7,817	72,811
<u>Reconciliation:</u>				
Corporate and other unallocated liabilities				<u>73,048</u>
Total liabilities				<u>145,859</u>
Other segment information:				
Depreciation and amortisation*	5,808	58	403	6,269
Capital expenditure**	4,780	—	434	5,214

3. OPERATING SEGMENT INFORMATION (*CONTINUED*)

	Children's personal care products <i>RMB'000</i>	Household hygiene products <i>RMB'000</i>	Adults' personal care products <i>RMB'000</i>	Other products <i>RMB'000</i>	Total <i>RMB'000</i>
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					<u>298,634</u>
Segment assets	169,855	112	4,257	30,586	204,810
<u>Reconciliation:</u>					
Corporate and other unallocated assets					<u>1,059,602</u>
Total assets					<u>1,264,412</u>
Segment liabilities	55,386	—	3,030	6,742	65,158
<u>Reconciliation:</u>					
Corporate and other unallocated liabilities					<u>39,624</u>
Total liabilities					<u>104,782</u>
Other segment information:					
Depreciation and amortisation*	4,994	16	52	327	5,389
Capital expenditure**	3,035	—	—	275	3,310

3. OPERATING SEGMENT INFORMATION (*CONTINUED*)

* 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.

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.

4. REVENUE, OTHER INCOME AND GAINS

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

	Group	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
<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.

6. PROFIT BEFORE TAX

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

	Group	
	2013	2012
	RMB'000	RMB'000
Cost of inventories sold	901,895	850,498
Depreciation	13,258	10,177
Amortisation of prepaid land lease payments	434	434
Amortisation of intangible assets	1,440	1,440
Gain on disposal of items of property, plant and equipment	(194)	—

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the 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	2012
	RMB'000	RMB'000
Current — Mainland China		
Charge for the year	104,046	49,881
Underprovision in prior year	—	2,743
	104,046	52,624
Deferred	6,000	4,900
Total tax charge for the year	110,046	57,524

8. DIVIDENDS

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

(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.

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

The calculation of basic earnings per share amount is based on the profit for the 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).

10. TRADE RECEIVABLES

	Group	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	<u>123,717</u>	<u>115,990</u>

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	2012
	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>1,293</u>	<u>1,827</u>
	<u>123,717</u>	<u>115,990</u>

11. TRADE AND BILLS PAYABLES

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

	Group	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	55,354	37,300
1 to 3 months	17,451	27,858
Over 3 months	6	—
	<hr/>	<hr/>
	72,811	65,158
	<hr/> <hr/>	<hr/> <hr/>

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.

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 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).
- 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° 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 infants’ products.
- 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.

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 announcement, 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 27 consecutive times at the major theatres in the 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, lamp 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.

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 to 214 from 197 as at the end of 2012, 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 products.

In addition, the Group actively expanded the e-commerce sales channel, 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), 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' (拉鉤一起過，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 Suits 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.

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 networking platform 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.

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 the 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.

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 of increase in income tax rate to which to 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 children's personal care products, intensively developed 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 disposed of 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.

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 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 being 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%) following the expiration of the tax holidays of the Group's PRC subsidiary.

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 new 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 announcement, 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.

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, Xian and Shanghai in order to manage inventories more effectively and the enhancement of inventory management.

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).

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).

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 the parents is a single child, they are allowed to have two children (單獨兩孩政策), in the provinces and cities in China which 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 increase its market share in first-tier cities and supermarket chains operated by international giants across China, while constantly consolidating and boosting market penetration in 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 reach niche markets via the e-commerce channel.

In terms of product offering, 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 constant 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 also constantly consolidates 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 introduces 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 increasing the Group’s R&D input and strengthening its core competitiveness.

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, capitalizing 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 <i>HK\$ million</i>	Actual net IPO proceeds <i>HK\$ million</i>	Amount utilized up to 31 December 2013 <i>HK\$ million</i>	Balance as at 31 December 2013 <i>HK\$ million</i>
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	<u>713.7</u>	<u>646.0</u>	<u>638.1</u>	<u>7.9</u>

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.

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. Such shares were cancelled on 30 December 2013. Details of the share repurchase are summarized as follows:

Month of repurchase	Number of shares repurchased	Purchase price per share		Aggregate consideration <i>HK\$</i>
		Highest	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	
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.

FINAL DIVIDEND

The directors recommended a final dividend of HK5 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 Company's annual general meeting to be held on 5 June 2014 (the "2014 AGM"), is expected to be paid on 2 July 2014.

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.

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.

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, and discussed with the auditors of the Company on accounting principles and practices adopted by the Group and financial reporting matters.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the year ended 31 December 2013, except for code provision A.2.1.

The code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Mr. Li Zhenhui (“**Mr. Li**”) currently holds the positions of Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 20 years of experience in personal care products industry. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Li provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business 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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.princefrog.com.cn) and the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2013, containing all the information required by the Listing Rules, will be dispatched to the shareholders and available on the above websites in due course.

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

Zhangzhou, the PRC
26 March 2014

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