



# Prince Frog International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1259



2012  
Interim Report

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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

## JOINT COMPANY SECRETARIES

Ms. Hong Fang  
Ms. So Ka Man

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## STOCK CODE

1259

## COMPANY WEBSITE

[www.princefrog.com.cn](http://www.princefrog.com.cn)

## 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

## PRINCIPAL BANKER

Agricultural Bank of China Limited,  
Zhangzhou Branch

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 609  
Grand Cayman KY1-1107  
Cayman Islands

## 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

## AUDITORS

Ernst & Young

## COMPLIANCE ADVISER

CIMB Securities (HK) Limited  
Units 7706-08, Level 77  
International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong

Prince Frog International Holdings Limited (the “Company” or “Prince Frog”, together with its subsidiaries, the “Group”) is a leading manufacturer and distributor of children’s personal care products in Mainland China. The Frog Prince brand is well received by children with its image of health, energy and vibrancy, and is also recognized by parents for its high quality. The brand has become one of the leading domestic brands of children’s personal care products in China. Leveraging on the success of the first season of the Company’s Frog Prince animation series, the second season was launched and among the first batch of animations recommended by the State Administration of Radio, Film and Television.

As the economy is growing, Chinese consumers are more concerned about children’s personal care products. Dedicated to producing this kind of products, the Group keeps improving its products and developing new ones that meet customers’ requirements and market demand; increasing funds for research and development; strengthening collaborations with universities and research centres; stepping up advertisements on television, especially children channels, and other media such as newspapers, magazines and books; adopting unique, innovative marketing strategies and taking care of the development of Chinese children.

In addition to enhancing children’s personal care products portfolio, the Group also provides baby care products, household hygiene products and adult’s personal care products under its own brand names and manufacture OEM products.

Looking ahead, the Group will continue to leverage its leading position, brand recognition, established sales network, strong product development capability, high quality and increasing production capacity to capture the enormous opportunity in the emerging children care industry, developing itself into a top brand in China.

# Management Discussion and Analysis

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

- On 15 March 2012, the Company was awarded the title of “Excellent Model Enterprise for Trustworthy Quality in China” (全國質量誠信承諾優秀示範企業) by *China Quality Inspection Association*.
- On 15 March 2012, the Company became a group member of China Quality Inspection Association.
- On 19 April 2012, the Company passed the accreditation of “Cosmetics-Guidelines on Good Manufacturing Practices (2008)” of U.S. Food and Drug Administration.
- On 19 April 2012, the Company passed the accreditation of “ISO22716:2007(e) Cosmetics-Good Manufacturing Practices (GMP)”.
- On 24 April 2012, the Company was awarded the “2012 Jingzheng Outstanding Contribution Award in the Pregnancy, Babies and Children’s Product Category” by *China National Committee for the Wellbeing of the Youth, China Women’s News, Infant Work Department of Career Development Centre, Parenting Science magazine, BAMC Top Baby TV, Beijing Jingzheng Exhibition & Show Co., Ltd., China Trade News and Organization Committee of Jingzheng Mother-Infant-Child Products Fair*.
- On 4 May 2012, the Company’s Chairman, Mr. Li Zhenhui, was elected vice president of the 17th China Beauty Expo.
- On 25 May 2012, the Company was awarded the title of “Top Ten Exemplary Brands in China’s Mother and Child Care Products Industry” (中國母嬰用品護理行業十大標誌性品牌) by *China Association for Small & Medium Commercial Enterprises, China Economic and Cultural Development Association, Green Economy Research Institute of China Academy of Management Science, The Man In The Century Magazine and Organization Committee of Promotion Activities for Enterprises with Industry-leading Brand in China*.

## BUSINESS REVIEW

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

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

1. Listing led to stronger brand awareness. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in July 2011 and signed Kelly Chen as its spokesperson in December 2011, which two events have greatly raised brand awareness of the Frog Prince brand.
2. More efforts in brand promotion. Endorsed by Kelly Chen, Frog Prince’s products continually impressed customers in the first half of 2012 through advertisements on TV and print media as well as shop signs and product labels featuring Kelly Chen. The Group further promoted its brand by proactively participating in industry exhibitions and charitable activities.
3. Focus on principal business. In 2012, we kept the Frog Prince brand as our operational focus, diversified our portfolio by introducing new products, and optimized the structure of children’s personal care products by penetrating into new markets. As a result, our products for the summer such as shampoo, bath products and floral water products recorded significant growth in sales.

# Management Discussion and Analysis

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

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

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

## SALES CHANNELS

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

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

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

## BRAND BUILDING

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

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

# Management Discussion and Analysis

- **Innovative animation marketing**

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

- **Ongoing traditional offline promotion campaigns**

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

- **New Internet marketing initiatives**

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

- **New baby and maternal brand**

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

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

## SOCIAL RESPONSIBILITY

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

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

# Management Discussion and Analysis

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

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

## FINANCIAL REVIEW

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

### Gross Profit and Gross Profit Margin

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

### Selling and Distribution Costs

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

### Administrative Expenses

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

### Finance Costs

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



# Management Discussion and Analysis

## Net Profit and Net Profit Margin

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

## Capital Expenditure

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

## Financial Resources and Liquidity

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

## Trade and Bills Receivables Turnover Days

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

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

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

## Trade and Bills Payables Turnover Days

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

## Inventory Turnover Days

During the reporting period, inventory turnover days came to 38 days (six months ended 30 June 2011: 25 days; year ended 31 December 2011: 27 days), calculated as the average of the beginning and ending inventories for the period/year divided by cost of sales for the period/year and multiplied by 180 days for half year/365 days for a year. The increase in inventory turnover days was mainly due to strategic restocking in response to sales growth.

# Management Discussion and Analysis

## Bank Borrowings

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

## Available-for-sale Investments

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

## Risk of Foreign Exchange

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

## Contingent Liabilities

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

## FUTURE PROSPECTS

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

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

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

## EMPLOYEES AND REMUNERATION

As at 30 June 2012, the Group employed 1,750 employees (as at 31 December 2011: 1,314 employees). In addition to basic salaries, year-end bonuses may be offered to those staff members with outstanding performance. Members of the Group established in Mainland China were also subject to social insurance contribution plans required by the PRC government. In accordance with the relevant national and local labour and social welfare laws and regulations, members of the Group established in Mainland China are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance.

Moreover, a share option scheme was adopted on 22 June 2011 to reward staff members who make contributions to the success of the Group. The directors believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

In addition, the Group provided training to its employees to help them to master relevant skills.

## DIVIDEND

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

# Unaudited Condensed Consolidated Interim Financial Statements

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2012 together with the audited comparative figures for the corresponding period in 2011 and the relevant explanatory notes are set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

## Condensed Consolidated Income Statement

For the six months ended 30 June 2012

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

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

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

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

# Condensed Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	151,706	142,517
Prepaid land lease payments		19,815	20,032
Intangible assets		5,223	5,943
Prepayments and deposits		5,075	2,839
Total non-current assets		181,819	171,331
<b>CURRENT ASSETS</b>			
Inventories		65,268	74,518
Trade and bills receivables	11	178,675	92,999
Amount due from a related company		4,037	7,691
Prepayments, deposits and other receivables		17,830	7,233
Available-for-sale investments		33,000	—
Pledged deposits		504	1,096
Cash and cash equivalents		675,874	735,597
Total current assets		975,188	919,134
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	87,768	80,595
Other payables and accruals		42,208	24,570
Interest-bearing bank borrowings	13	—	30,000
Tax payable		11,844	6,948
Total current liabilities		141,820	142,113
<b>NET CURRENT ASSETS</b>		833,368	777,021
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,015,187	948,352
Net assets		1,015,187	948,352
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Issued capital	14	8,368	8,368
Reserves		1,006,819	939,984
Total equity		1,015,187	948,352

Li Zhenhui  
Director

Hong Fang  
Director

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to ordinary equity holders of the Company								Total RMB'000
	Issued capital RMB'000	Share premium RMB'000	Treasury shares <sup>#</sup> RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	
At 1 January 2012 (audited)	8,368	608,412	—	1,083	11	35,418	3,188	291,872	948,352
Exchange differences on translation of foreign operations	—	—	—	—	—	—	1,103	—	1,103
Profit for the period	—	—	—	—	—	—	—	102,225	102,225
Total comprehensive income for the period	—	—	—	—	—	—	1,103	102,225	103,328
Repurchase of shares	—	—	(2,211)	—	—	—	—	—	(2,211)
Equity-settled share option arrangements	—	—	—	2,580	—	—	—	—	2,580
2011 final dividend declared and paid	—	(36,862)	—	—	—	—	—	—	(36,862)
At 30 June 2012 (unaudited)	<u>8,368</u>	<u>571,550*</u>	<u>(2,211)*</u>	<u>3,663*</u>	<u>11*</u>	<u>35,418*</u>	<u>4,291*</u>	<u>394,097*</u>	<u>1,015,187</u>

	Attributable to ordinary equity holders of the Company							Total RMB'000
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000		
At 1 January 2011 (audited)	11	—	—	14,690	2,299	128,655	145,655	
Exchange differences on translation of foreign operations	—	—	—	—	1,908	—	1,908	
Profit for the period	—	—	—	—	—	69,615	69,615	
Total comprehensive income for the period	—	—	—	—	1,908	69,615	71,523	
Transfer to capital reserve upon reorganisation	(11)	—	11	—	—	—	—	
Incorporation of the Company	8	—	—	—	—	—	8	
Capitalisation of an amount due to Prince Frog International Company Limited ("Prince Frog International")	—	86,958	—	—	—	—	86,958	
At 30 June 2011 (audited)	<u>8</u>	<u>86,958*</u>	<u>11*</u>	<u>14,690*</u>	<u>4,207*</u>	<u>198,270*</u>	<u>304,144</u>	

\* These reserve accounts comprise the consolidated reserves of RMB1,006,819,000 (30 June 2011: RMB304,136,000) in the condensed consolidated statement of financial position.

<sup>#</sup> During the period, 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 repurchased shares were subsequently cancelled on 16 July 2012.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
NET CASH FLOWS FROM/(USED IN):		
Operating activities	53,270	56,264
Investing activities	(132,277)	(41,037)
Financing activities	(69,073)	87,352
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(148,080)	102,579
Cash and cash equivalents at beginning of period	735,597	72,299
Effect of foreign exchange rate changes, net	2,461	(2,491)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>589,978</u>	<u>172,387</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	675,874	172,387
Less: Time deposits with original maturity of more than three months when acquired	(85,896)	—
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u>589,978</u>	<u>172,387</u>

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sale of personal care and household hygiene products. There were no significant changes in the nature of the Group's principal activities during the period.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

## 3. OPERATING SEGMENT INFORMATION

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

- (a) the children's personal care products segment manufactures and trades Frog Prince branded skin care, body and hair care, oral care and diaper products;
- (b) the household hygiene products segment manufactures and trades Shuangfeijian branded insecticide products and Shenhuxi branded air freshener;
- (c) the adults' personal care products segment manufactures and trades Frog Prince branded oral care products and other skin care products; and
- (d) the other products segment comprises, principally, the manufacture of skin care products, body and hair care products for branding and resale by others.



# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

	<b>Children's personal care products RMB'000</b>	<b>Household hygiene products RMB'000</b>	<b>Adults' personal care products RMB'000</b>	<b>Other products RMB'000</b>	<b>Total RMB'000</b>
<b>Six months ended 30 June 2012</b>					
<b>Segment revenue:</b>					
Sales to external customers	395,999	134,898	26,589	24,531	582,017
<b>Segment results</b>	<b>176,473</b>	<b>34,221</b>	<b>6,683</b>	<b>4,754</b>	<b>222,131</b>
Interest income					3,489
Other unallocated gains					1,334
Corporate and other unallocated expenses					(104,148)
Finance costs					(902)
Profit before tax					<u>121,904</u>
<b>Six months ended 30 June 2011</b>					
<b>Segment revenue:</b>					
Sales to external customers	306,907	162,451	29,353	52,613	551,324
<b>Segment results</b>	<b>136,889</b>	<b>42,894</b>	<b>8,601</b>	<b>8,086</b>	<b>196,470</b>
Interest income					200
Other unallocated gains					297
Corporate and other unallocated expenses					(106,480)
Finance costs					(1,776)
Profit before tax					<u>88,711</u>

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 4. REVENUE, OTHER INCOME AND GAINS

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

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

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

## 5. FINANCE COSTS

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

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 6. PROFIT BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Cost of inventories sold	335,485	329,104
Depreciation*	4,784	2,321
Amortisation of prepaid land lease payments	217	217
Amortisation of intangible assets	720	245
Minimum lease payments under operating leases on land and buildings*	2,279	2,282
Employee benefit expenses* (including directors' remuneration):		
Wages and salaries	31,055	23,120
Equity-settled share option expense	2,580	—
Retirement benefit scheme contributions	1,177	827
	<u>34,812</u>	<u>23,947</u>
Research and development costs <sup>#</sup>	<u>2,687</u>	<u>1,159</u>

<sup>#</sup> This amount is included in "Administrative expenses" in the condensed consolidated income statement.

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Depreciation	3,284	1,566
Minimum lease payments under operating leases on land and buildings	1,162	1,408
Employee benefit expenses	13,532	10,523
	<u>17,978</u>	<u>13,497</u>

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2011: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

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

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. With effect from 1 January 2013, the applicable tax rate will be 25%.

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 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.

## 8. DIVIDEND

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

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

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

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

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

The number of ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 June 2011 was calculated on the assumption that the pro forma issued share capital of the Company of 750,000,000 shares had been in issue throughout that period, comprising 100 issued ordinary shares of the Company upon incorporation, 445,100 issued ordinary shares of the Company pursuant to the acquisition of Prince Frog Investment Limited ("Prince Frog Investment"), 554,800 issued ordinary shares of the Company pursuant to share swap, one issued ordinary share of the Company pursuant to the capitalisation of pre-IPO investors fund and the capitalisation issue of 748,999,999 ordinary shares of the Company, as further detailed in note 14 to the condensed consolidated interim financial statements.

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

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

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
At beginning of period/year, net of accumulated depreciation	142,517	82,067
Additions	13,973	66,420
Disposals	—	(17)
Depreciation provided during the period/year	<u>(4,784)</u>	<u>(5,953)</u>
At end of period/year, net of accumulated depreciation	<u><u>151,706</u></u>	<u><u>142,517</u></u>

## 11. TRADE AND BILLS RECEIVABLES

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

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 11. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

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

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

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

## 12. 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:

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

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

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

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
<b>Current</b>				
Bank loans — secured	6.4	May 2012	—	20,000
Bank loans — unsecured	6.1	May 2012	—	10,000
			—	30,000
			—	30,000
Analysed into:				
Bank loans repayable within one year			—	30,000
			—	30,000

- (a) Certain of the Group's bank loans at 31 December 2011 were secured by:
- (i) the pledge of the Group's building with a net carrying amount of approximately RMB62,036,000 as at 31 December 2011; and
  - (ii) the pledge of the Group's leasehold land with a net carrying amount of approximately RMB15,387,000 as at 31 December 2011.
- (b) As at 31 December 2011, all bank loans bore interest rates announced by the People's Bank of China per annum and were denominated in RMB.
- (c) Bank loans of RMB20,000,000 utilised during the year ended 31 December 2011 was guaranteed by 漳州新藝彩印有限公司 (Zhangzhou Xinyi Colour Printing Co., Ltd.) ("Xinyi Colour Printing"), Mr. Xie Fenqiang (謝奮強), Mr. Gan Jianhui (甘建輝), independent third parties, and Mr. Li Zhenhui ("Mr. Li") and Mr. Xie Jinling ("Mr. Xie"), and had been repaid during the year ended 31 December 2011. Mr. Xie Fenqiang and Mr. Gan Jianhui are shareholders of Xinyi Colour Printing. The guarantees provided by Mr. Li and Mr. Xie had been released during the year ended 31 December 2011.

Bank loans of RMB50,000,000 utilised during the year ended 31 December 2011 was guaranteed by Fujian Shuangfei Daily Chemicals Co., Ltd. ("Fujian Shuangfei"), a domestic enterprise under the laws of the PRC owned by Mr. Li and Mr. Xie, Mr. Li and Mr. Xie, and had been repaid during the year ended 31 December 2011. The guarantees provided by Mr. Li and Mr. Xie had been released during the year ended 31 December 2011.

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 14. ISSUED CAPITAL

	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
Authorised:		
5,000,000,000 ordinary shares of HK\$0.01 each	<u>41,524</u>	<u>41,524</u>
Issued and fully paid:		
1,008,250,000 ordinary shares of HK\$0.01 each	<u>8,368</u>	<u>8,368</u>

The following changes in the Company's authorised and issued share capital took place during the period from 11 January 2011 (date of incorporation) to 30 June 2012:

	Notes	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares	
			HK\$'000	RMB'000
Authorised:				
On incorporation	(a)	5,000,000	50	43
Increase in authorised share capital on 22 June 2011	(b)	<u>4,995,000,000</u>	<u>49,950</u>	<u>41,481</u>
As at 31 December 2011 and 30 June 2012		<u>5,000,000,000</u>	<u>50,000</u>	<u>41,524</u>
Issued:				
Allotted and issued for cash on incorporation	(c)	100	—	—
Issuance of new shares pursuant to the acquisition of Prince Frog Investment	(d)	445,100	4	3
Issuance of new shares pursuant to share swap	(e)	554,800	6	5
Issuance of new share pursuant to the Capitalisation of Pre-IPO Investors Fund as defined in note (f)	(f)	1	—	—
Capitalisation issue credited as fully-paid conditional on the share premium account of the Company, being credited as a result of the issuance of new shares to the public	(g)	748,999,999	7,490	6,217
Issuance of new shares on 15 July 2011	(h)	250,000,000	2,500	2,075
Issuance of new shares on 11 August 2011	(i)	<u>8,250,000</u>	<u>83</u>	<u>68</u>
As at 31 December 2011 and 30 June 2012		<u>1,008,250,000</u>	<u>10,083</u>	<u>8,368</u>



# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 14. ISSUED CAPITAL (CONTINUED)

Notes:

- (a) On incorporation of the Company on 11 January 2011, the authorised share capital of the Company was HK\$50,000 divided into 5,000,000 shares of HK\$0.01 each.
- (b) Pursuant to an ordinary resolution passed on 22 June 2011, the authorised share capital of the Company was increased from HK\$50,000 to HK\$50,000,000 by the creation of 4,995,000,000 additional shares of HK\$0.01 each, ranking pari passu in all respects with the existing shares of the Company.
- (c) On incorporation of the Company on 11 January 2011, one share of HK\$0.01 was allotted and issued, at nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Prince Frog International on the same date. In addition, 99 shares of HK\$0.01 each were allotted and issued, at nil paid, to Prince Frog International on the same date.
- (d) On 22 February 2011, the Company acquired from Prince Frog International an aggregate of 200 shares of US\$0.1 each in the share capital of Prince Frog Investment, being its entire issued share capital, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 445,100 shares to Prince Frog International and (ii) credited as fully paid at par the 100 nil paid shares then held by Prince Frog International (note (c)).
- (e) Pursuant to an ordinary resolution passed on 13 June 2011, 427,700 shares, 94,200 shares, 14,100 shares and 18,800 shares were allotted and issued, credited as fully paid, to Jinlin Investment Company Limited (“Jinlin Investment”), CCB International Asset Management Limited (“CCBIAM”), Joyful Business Holdings Limited (“Joyful”) and PARAMOUNT STAGE LIMITED (“PARAMOUNT”), respectively, in exchange for the same number of shares in Prince Frog International held by each of Jinlin Investment, CCBIAM, Joyful and PARAMOUNT to Zhenfei Investment Company Limited (“Zhengfei Investment”).
- (f) On 29 July 2010, Prince Frog (HK) Daily Chemicals Company Limited (“Prince Frog (HK)”), a wholly-owned subsidiary of the Group, Frog Prince (China), Mr. Li, Mr. Xie, Zhenfei Investment, Jinlin Investment and Prince Frog International entered into share purchase agreements (the “SPAs”) with CCBIAM, Joyful and PARAMOUNT. Pursuant to the SPAs, Prince Frog International allotted and issued new ordinary shares of 10,785 shares, 1,618 shares and 2,157 shares to CCBIAM, Joyful and PARAMOUNT at cash considerations of US\$10,000,000, US\$1,500,000 and US\$2,000,000 (amounted to a total of US\$13,500,000 (i.e. HK\$104,750,000 equivalent) in aggregate, the “Pre-IPO Investors Fund”), respectively. Prince Frog International advanced the fund to the Group and an amount due to Prince Frog International of HK\$104,750,000 (approximately RMB89,135,000) was recorded in the consolidated statement of financial position as at 31 December 2010.

On 20 June 2011, the Company entered into share subscription agreements (the “Share Subscription Agreements”) with Prince Frog International, Prince Frog Investment and Prince Frog (HK). Pursuant to the Share Subscription Agreements, the Company allotted and issued one new ordinary share of HK\$0.01 to Prince Frog International at a consideration of HK\$104,750,000. Upon completion of these share subscriptions, the amount due to Prince Frog International by the Group was then settled in full. The difference between the par value of the one ordinary share issued and the capitalised Pre-IPO Investors Fund (“Capitalisation of Pre-IPO Investors Fund”) was accounted for as a credit to the Group’s share premium during the six months ended 30 June 2011.

- (g) Pursuant to a resolution passed on 22 June 2011, 748,999,999 shares of HK\$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the holders of shares whose names appeared on the register of members of the Company at 8:00 a.m. on 14 July 2011 in proportion to their respective shareholdings. This allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company’s initial public offering as detailed in note (h) below.
- (h) In connection with the Company’s initial public offering, 250,000,000 shares of HK\$0.01 each were issued at a price of HK\$2.60 per share for a total cash consideration, before expenses, of approximately HK\$650,000,000. Dealings in these shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) commenced on 15 July 2011.

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 14. ISSUED CAPITAL (CONTINUED)

*Notes: (Continued)*

- (i) Pursuant to the international underwriting agreement dated 29 June 2011, the Company granted an option (the “Over-allotment Option”) to the international underwriters, exercisable by CCB International Capital Limited on behalf of the international underwriters. On 5 August 2011, the Over-allotment Option was partially exercised, whereby an aggregate of 9,900,000 shares which comprise of 8,250,000 new shares and 1,650,000 sale shares, comprising 841,500 shares offered for sale by Prince Frog International and 808,500 shares offered for sale by Jinlin Investment, to cover over-allocations in the international offering. The exercise price per share for the Over-allotment Option is HK\$2.60. Dealings in these shares on the Stock Exchange commenced on 11 August 2011.
- (j) During the year ended 31 December 2002, Prince Frog (HK) was incorporated with authorised share capital of HK\$10,000 of 10,000 shares of HK\$1 each and 10,000 shares of HK\$1 each were issued. The share capital represented the share capital of Prince Frog (HK) as at 1 January 2010 and 31 December 2010. During the year ended 31 December 2010, Prince Frog Investment was incorporated with authorised share capital of US\$5,000 of 50,000 shares of US\$0.1 each and 100 shares of US\$0.1 each were issued. As at 1 January 2011, the share capital represented the combined share capital of Prince Frog (HK) of HK\$10,000 and Prince Frog Investment of US\$10.

## 15. 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.

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.

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 15. SHARE OPTION SCHEME (CONTINUED)

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

	30 June 2012		31 December 2011	
	Weighted average exercise price <i>HK\$</i> per share	Number of options <i>'000</i>	Weighted average exercise price <i>HK\$</i> per share	Number of options <i>'000</i>
At 1 January	1.92	12,966	—	—
Granted during the period/year	2.94	9,394	1.92	12,966
Forfeited during the period/year	1.92	(280)	—	—
	<u>1.92</u>	<u>(280)</u>	<u>—</u>	<u>—</u>
At 30 June/31 December	<u>2.35</u>	<u>22,080</u>	<u>1.92</u>	<u>12,966</u>

No share options were exercised during period ended 30 June 2012.

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

### 2012

Number of options <i>'000</i>	Exercise price <i>HK\$</i> per share	Exercise period
12,686	1.92	14-10-12 to 13-10-21
<u>9,394</u>	<u>2.94</u>	<u>21-06-13 to 20-06-22</u>
<u>22,080</u>		

### 2011

Number of options <i>'000</i>	Exercise price <i>HK\$</i> per share	Exercise period
<u>12,966</u>	1.92	14-10-12 to 13-10-21

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 period was RMB8,329,000 (RMB0.89 each) (the “2012 Options”). The Group recognised share option expenses of a total RMB2,580,000 in respect of the 2011 Options and 2012 Options during the period ended 30 June 2012.

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 15. SHARE OPTION SCHEME (CONTINUED)

The fair value of equity-settled share options granted during the period was 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:

Date of grant	21 June 2012	14 October 2011
Dividend yield (%)	1.78	1.75
Expected volatility (%)	37.6	38.17
Risk-free interest rate (%)	1.0	1.33
Expected life of options (year)	8–10	8–10
Price of the Company's shares at date of grant (HK\$ per share)	2.94	1.92

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 and up to the date of approval of these condensed consolidated interim financial statements, the Company had 22,080,000 share options outstanding under the Scheme, which represented approximately 2.19% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 22,080,000 additional ordinary shares of the Company and additional share capital of approximately HK\$221,000 (equivalent to approximately RMB180,000) and share premium of approximately HK\$51,754,000 (equivalent to approximately RMB42,191,000), before issue expenses.

## 16. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its factory, warehouses and office premises under operating lease arrangements. Leases for properties are negotiated for terms of one month to five years with an option for renewal after that date, at which times all terms will be renegotiated.

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

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Within one year	3,654	4,894
In the second to fifth years, inclusive	1,862	2,673
	<u>5,516</u>	<u>7,567</u>

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 17. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following capital commitments at the end of the reporting period:

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

## 18. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group also had the following material transactions with related parties during the period:

		<b>Six months ended 30 June</b>	
		<b>2012</b>	2011
	Notes	<b>RMB'000 (unaudited)</b>	<b>RMB'000 (audited)</b>
Related companies:			
Sales of products	(a)	357	20,663
Rental expenses	(b)	1,704	1,704
Subcontracting fees	(c)	5,710	8,199
Purchase of intangible asset	(d)	—	7,120
		<u>7,771</u>	<u>37,686</u>

Notes:

- (a) Sales to a related company, Shuangfei Daily Chemicals (USA) Inc. ("Shuangfei (USA)"), in which Mr. Li and Mr. Xie have beneficial interests, were made on mutually agreed terms.
- (b) Frog Prince (China) and Fujian Shuangfei, which are 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.

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2012

## 18. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) (Continued)

Notes: (Continued)

(c) The directors confirmed that the subcontracting fees paid to Fujian Shuangfei were made according to the prices similar to those offered in the market.

(d) Frog Prince (China) and Fujian Shuangfei entered into copyrights assignment agreement on 28 February 2011 for the acquisition of copyrights related to 青蛙王子 (Frog Prince) animation series. The directors confirmed that purchase was made on mutually agreed terms.

(ii) Commitments with related parties

On 1 January 2010 and 26 January 2011, Frog Prince (China) entered into certain three-year agreements ending on 31 December 2012 and a supplementary agreement with Fujian Shuangfei, a company controlled by Mr. Li and Mr. Xie, to lease the production premises, office building and certain machinery, furniture, fixtures, office equipment and motor vehicles for the Group's production. On 14 February 2011, Frog Prince (China) and Fujian Shuangfei entered into a supplementary agreement with lease period ending 1 December 2014 for the lease of a production premise for the Group's production. The amount of total rental expenses incurred for the period is included in note 18(i)(b) to the condensed consolidated interim financial statements. The Group expects total rental expenses payable to Fujian Shuangfei during the period from July to December 2012, years ending 31 December 2013 and 2014 to be approximately RMB1,704,000, RMB321,000 and RMB294,000, respectively.

(iii) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Short term employee benefits	1,947	292
Post-employment benefits	8	5
Equity-settled share option expenses	1,591	—
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b>3,546</b>	297
	<hr/>	<hr/>

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

## 19. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 22 August 2012.

# Supplementary Information to the Interim Report

## USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING (IPO)

The Company was listed on 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).

As at 30 June 2012, the net proceeds of IPO had been utilised as follows:

	<b>Planned amount per Prospectus HK\$ million</b>	<b>Actual net IPO proceeds HK\$ million</b>	<b>Amount utilised up to 30 June 2012 HK\$ million</b>	<b>Balance as at 30 June 2012 HK\$ million</b>
Strengthening the marketing and promotion of products, expanding and strengthening management of sales networks and channels	285.5	258.4	173.5	84.9
Expanding and enhancing production facilities and capacities	214.1	193.8	66.6	127.2
Expanding products offerings	107.1	96.9	2.6	94.3
Enhancing research and development capabilities	35.7	32.3	5.4	26.9
Working capital and other general corporate purposes	71.3	64.6	64.6	—
<b>Total</b>	<b>713.7</b>	<b>646.0</b>	<b>312.7</b>	<b>333.3</b>

# Supplementary Information to the Interim Report

## SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Details of movements of the Company's share options granted under the share option scheme for the six months ended 30 June 2012 are as follows:

Name or Category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2012	Exercise period (Note 2)
			Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
<b>Executive Directors</b>									
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>2,000,000</i>	<i>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>1,000,000</i>	<i>800,000</i>	—	—	—	<i>1,800,000</i>	



# Supplementary Information to the Interim Report

## SHARE OPTION SCHEME (CONTINUED)

Name or Category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2012	Exercise period (Note 2)
			Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
<b>Executive Directors</b>									
Mr. Ge Xiaohua	14 October 2011	1.92	400,000	—	—	—	400,000	A	
			300,000	—	—	—	300,000	B	
			300,000	—	—	—	300,000	C	
			<u>1,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000,000</u>		
	21 June 2012	2.94	—	320,000	—	—	320,000	D	
			—	240,000	—	—	240,000	E	
			—	240,000	—	—	240,000	F	
			<u>—</u>	<u>800,000</u>	<u>—</u>	<u>—</u>	<u>800,000</u>		
<i>Sub-total</i>			<u>1,000,000</u>	<u>800,000</u>	<u>—</u>	<u>—</u>	<u>1,800,000</u>		
Mr. Huang Xinwen	14 October 2011	1.92	400,000	—	—	—	400,000	A	
			300,000	—	—	—	300,000	B	
			300,000	—	—	—	300,000	C	
			<u>1,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000,000</u>		
	21 June 2012	2.94	—	320,000	—	—	320,000	D	
			—	240,000	—	—	240,000	E	
			—	240,000	—	—	240,000	F	
			<u>—</u>	<u>800,000</u>	<u>—</u>	<u>—</u>	<u>800,000</u>		
<i>Sub-total</i>			<u>1,000,000</u>	<u>800,000</u>	<u>—</u>	<u>—</u>	<u>1,800,000</u>		
Ms. Hong Fang	14 October 2011	1.92	400,000	—	—	—	400,000	A	
			300,000	—	—	—	300,000	B	
			300,000	—	—	—	300,000	C	
			<u>1,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000,000</u>		
	21 June 2012	2.94	—	320,000	—	—	320,000	D	
			—	240,000	—	—	240,000	E	
			—	240,000	—	—	240,000	F	
			<u>—</u>	<u>800,000</u>	<u>—</u>	<u>—</u>	<u>800,000</u>		
<i>Sub-total</i>			<u>1,000,000</u>	<u>800,000</u>	<u>—</u>	<u>—</u>	<u>1,800,000</u>		
<b>Non-executive Director</b>									
Mr. Yang Feng (resigned on 30 May 2012)	14 October 2011	1.92	40,000	—	—	—	(40,000)	A	
			30,000	—	—	—	(30,000)	B	
			30,000	—	—	—	(30,000)	C	
			<u>100,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(100,000)</u>		

# Supplementary Information to the Interim Report

## SHARE OPTION SCHEME (CONTINUED)

Name or Category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2012	Exercise period (Note 2)
			Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
<b>Independent Non-executive Directors</b>									
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>100,000</i>	<i>100,000</i>	—	—	<i>200,000</i>		
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>			<i>100,000</i>	<i>100,000</i>	—	—	<i>200,000</i>		
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>			<i>100,000</i>	<i>100,000</i>	—	—	<i>200,000</i>		
<b>Total for directors</b>			<b>6,400,000</b>	<b>3,860,000</b>	<b>—</b>	<b>—</b>	<b>(100,000)</b>	<b>10,160,000</b>	

# Supplementary Information to the Interim Report

## SHARE OPTION SCHEME (CONTINUED)

Name or Category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2012	Exercise period (Note 2)
			Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
Employees of the Group in aggregate	14 October 2011	1.92	2,626,400	—	—	—	(72,000)	2,554,400	A
			1,969,800	—	—	—	(54,000)	1,915,800	B
			1,969,800	—	—	—	(54,000)	1,915,800	C
			6,566,000	—	—	—	(180,000)	6,386,000	
	21 June 2012	2.94	—	2,213,600	—	—	—	2,213,600	D
			—	1,660,200	—	—	—	1,660,200	E
—			1,660,200	—	—	—	1,660,200	F	
		—	5,534,000	—	—	—	5,534,000		
<b>Total for employees</b>			<b>6,566,000</b>	<b>5,534,000</b>	<b>—</b>	<b>—</b>	<b>(180,000)</b>	<b>11,920,000</b>	
<b>Total</b>			<b>12,966,000</b>	<b>9,394,000</b>	<b>—</b>	<b>—</b>	<b>(280,000)</b>	<b>22,080,000</b>	

### 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\$1.98 and HK\$2.94, respectively.
- 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.

# Supplementary Information to the Interim Report

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

As at 30 June 2012, the interests of the directors of the Company 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 Futures 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 referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (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

Name of director	Nature of interests	Number of ordinary shares interested	Percentage* of the Company's issued share capital
Mr. Li Zhenhui	Interest of controlled corporations ( <i>Note 1</i> )	307,544,500	30.50%
Mr. Xie Jinling	Interest of controlled corporation ( <i>Note 2</i> )	245,983,500	24.40%

*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. 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 30 June 2012.

### B. Long positions in the underlying shares of the Company — physically settled unlisted equity derivatives

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	1,800,000	0.18%
Mr. Huang Xinwen	Beneficial owner	1,800,000	0.18%
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%

*Note:* 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" and Note 15 to the Condensed Consolidated Interim Financial Statements.

- + The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2012.

# Supplementary Information to the Interim Report

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Save as disclosed above and in the section headed "Share option scheme", as at 30 June 2012, 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the following interests of 5% or more of the issued share capital of the Company were recorded in 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 <sup>+</sup> of the Company's issued share capital
Prince Frog International Company Limited	Beneficial owner (Note 1)	307,544,500	30.50%
Zhenfei Investment Company Limited	Interest of controlled corporation (Note 1)	307,544,500	30.50%
Jinlin Investment Company Limited	Beneficial owner (Note 2)	245,983,500	24.40%

#### Notes:

1. 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".
  2. The above interest of Jinlin Investment Company Limited was also disclosed as the interest of Mr. Xie Jinling, an executive director of the Company, in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares".
- + The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, no person, other than the directors of the Company whose interests are set out in the 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.

# Supplementary Information to the Interim Report

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (Appendix 10 to the Listing Rules) as its code of conduct governing directors' dealings in the Company's securities. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2012.

## COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 June 2012.

## CORPORATE GOVERNANCE

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

### Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Li Zhenhui currently holds the positions of Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 16 years of experience in personal care products industry. The board of directors of the Company believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Li provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies and will not impair the balance of power and authority between the board and the management of the Company.

### Code Provision A.6.7

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

## UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of a director of the Company is set out below:

- Mr. Xie Jinling resigned as a director of Prince Frog International Company Limited (a substantial shareholder of the Company) on 30 May 2012.

# Supplementary Information to the Interim Report

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Details of the share repurchase are summarized as follows:

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

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

## AUDIT COMMITTEE

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

## CORPORATE COMMUNICATIONS

In accordance with the Listing Rules, the Company has ascertained shareholders' wishes regarding their preferences on the language (i.e. English and/or Chinese) and means of receipt (i.e. in printed form or via the Company's website) of the Company's corporate communications<sup>#</sup>. Shareholders who have chosen/are deemed to have chosen to receive the corporate communications via the Company's website, and who for any reason have difficulty in receiving or gaining access to the Company's corporate communications will promptly upon request be sent the corporate communications in printed form free of charge. Shareholders have the right at any time to change their choice of language and means of receipt of the Company's corporate communications.

Shareholders may request for printed copy of the Company's corporate communications or change their choice of language and means of receipt of the Company's corporate communications by sending reasonable prior 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 may also send such a notice by email to prince.ecom@computershare.com.hk.

Shareholders who have chosen to receive the corporate communications in either English or Chinese version will receive both English and Chinese versions of this interim report since both languages are bound together into one booklet.

<sup>#</sup> The Company's corporate communications refer to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to: (a) annual report; (b) interim report; (c) notice of meeting; (d) listing document; (e) circular; and (f) form of proxy.

By order of the Board  
**Li Zhenhui**  
Chairman  
22 August 2012