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## **PRINCE FROG INTERNATIONAL HOLDINGS LIMITED**

### **青 蛙 王 子 國 際 控 股 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1259)**

## **VOLUNTARY ANNOUNCEMENT CLARIFICATION OF ONLINE MESSAGES**

This announcement is made on a voluntary basis pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors (the “**Board**”) of Prince Frog International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) noted some anonymous messages (the “**Messages**”) published recently on the internet involving some alleged analyses of the Group’s business operation (the “**Analyses**”). Following a review of the Analyses, we believe that the basis and assumptions used in the Analyses are wrong, not based on factual information, and may mislead the Company’s shareholders and potential investors. The Board therefore would like to make the following clarification in this respect.

## **MARKET SHARE**

As disclosed in the prospectus of the Company dated 30 June 2011 (the “**Prospectus**”), unless the content defines otherwise, babies care products refer to personal care product(s) targeting babies from newborn to three years old (the “**Babies Care Market Segment**”), and children care products refer to personal care product(s) targeting children from four to twelve years old (the “**Children Care Market Segment**”), which are separate market segments mutually exclusive to each other. The Company’s business is currently focused principally on children care products. Any analyses on market shares of the Company should take reference to the Children Care Market Segment alone. For example, according to an analysis report (the “**Report**”) made by Euromonitor International Ltd in March 2013, the Group had the largest share of the children skin care products market in China in 2012. This market share refers to the Children Care Market Segment instead of the Babies Care Market Segment.

Meanwhile, according to the Report, in 2012, the market share in the second, third and fourth-tier cities in China represented 66% of the entire market share. As disclosed in the Prospectus, the focus of the Group’s sales has been on the second, third and fourth-tier cities in China since 1999 when the Frog Prince brand was established. Therefore, the revenue of the Group generated from the second, third and fourth-tier cities in China has historically been, and remained, the major portion of the Group’s total revenue. In enhancing the brand awareness and extension of the Group’s geographical coverage, the Group has been expanding its sales network in the first-tier cities since 2011.

## **CONTRIBUTION FROM KEY ACCOUNT SERIES (“KA SERIES”) SALES**

As disclosed in the annual results announcement for the year ended 31 December 2012, which was audited by independent international auditors and published by the Company on 26 March 2013, the Group recorded revenue of approximately RMB1,572.1 million for the year ended 31 December 2012, representing a growth of about 23.9% over the corresponding period in 2011 (2011: approximately RMB1,269.2 million), of which, revenue from children’s personal care products amounted to approximately RMB1,277.6 million, representing an increase of about 39.2% over the corresponding period in 2011 (2011: approximately RMB917.6 million), among which the revenue of the KA Series with higher gross profit margin more than doubled from approximately RMB61 million for the same period of last year to approximately RMB204 million.

## **CASH OUTFLOW**

The cash outflow of the Group principally resulted from an increase in expenditure for plant construction, dividend payment, marketing and brand promotions (such as endorsement, advertising and promotional campaigns), expenses for entry of KA series and research and development (the “**R&D**”) investment. As a leading children’s personal care brand in China, the Group attaches great importance to investment in R&D, which not only includes infrastructure investment in the R&D center, but also includes investment in sophisticated and advanced laboratory equipment, R&D personnel and costly ongoing product testing to ensure the safety of the Group’s products.

## **CAPACITY UTILIZATION**

Insofar as the calculation of capacity utilization is concerned, as disclosed in the Prospectus, the Company has calculated the figure based on the quantity of finished products delivered to warehouse from the production lines in the corresponding year, and the capacity utilization is arrived at by multiplying the respective specification of each piece of products by the actual quantities of finished products delivered to warehouse. We believe the capacity utilization figures as disclosed in the Messages have been derived based on erroneous assumptions and are inaccurate.

As disclosed in the Prospectus, the Company’s new plant was put into operation in May 2011 and as the date of this announcement, such new facility is still capable of meeting the production requirements of skin care products and body and hair care products of the Company. The Board wishes to clarify that the Company has not claimed that the production capacity of the Company is inadequate and such new production facilities will ensure stable development of the Group.

## **CAPITAL EXPENDITURE**

The Group’s capital expenditure plan and use of proceeds (the “**Use of Proceeds**”), which were disclosed in detail in the Prospectus, were decided on by the Board after due and careful consideration. In this respect, the Company has duly executed its capital expenditure plan as planned, and the Board has no intention to amend the Use of Proceeds.

Capital expenditure was also disclosed on annual report on an annual basis.

## CONNECTED TRANSACTIONS

As confirmed by the Board, the Company has made corresponding disclosures as to the connected transactions entered into between the Group and relevant connected persons in the Prospectus and all annual reports of the Company in compliance with the requirements of Chapter 14A of the Listing Rules.

## ENTRUSTMENT LOAN

As disclosed in the Company's 2012 annual report, the entrusted loan of RMB80 million (the “**Entrustment Loan**”) was lent to an A-share listed company, an independent third party, through the subscription of trust financing product (信託理財產品) for which Xiamen Branch of China Merchant Bank as the custodian bank, as part of the Group's treasury operations. The Entrustment Loan became due on 3 April 2013 and the Group had already received all the principal and interests due from the Entrustment Loan in April 2013. Save for the above, as of the date of this Announcement, the Group had not made any other entrustment loans to any other third parties.

## E-COMMERCE

The Company started its E-commerce operation in July 2012. As at 31 December 2012, the revenue generated from its E-commerce operation accounted for less than 1% of the total revenue of the Group. Any comparison based on different development stages is meaningless. In addition, there was also no basis to calculate the under-line sales through on-line sales. The Board have noted the E-commerce, as a new sales channel, may have deep impact on sales model, and the Company will devote more resources to developing E-commerce.

Based on the clarifications as stated above, the Board is of the opinion that the Analyses and the allegations made in the Messages are factually wrong and were made without due considerations to the underlying facts and assumptions made. The Company advises its shareholders and potential investors to take particular care when evaluating unsubstantiated information from unknown sources, and not to put any credibility on the Analyses as mentioned.

The Board confirms that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, nor is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

The above statement is made by the order of the Board, the directors of which jointly and individually accept responsibility for the accuracy of this statement.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company. The Company advises its shareholders and potential investors to be cautious about the credibility and veracity of any information or claims made in any unverifiable articles or emails from unknown sources. The Company has an investor relations department in place and is willing to clarify any enquiries on the Company's business from all its shareholders and potential investors. In case of any enquiries, please send the same to [ir@princefrog.com.cn](mailto:ir@princefrog.com.cn) or [princefrog@wsfg.hk](mailto:princefrog@wsfg.hk), and we will reply as soon as possible.

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

Zhangzhou, PRC  
4 June 2013

*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.*