

CHAIRMAN'S STATEMENT

SUCCESS IN LISTING

On behalf of the board of directors (the "Board" or the "Directors") of China Flavors and Fragrances Company Limited ("China Flavors" or the "Company") and its subsidiaries (together the "Group"), I am pleased to report that the shares of the Company have been successfully listed and commenced trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 9 December 2005. A total of 107,892,000 new shares were issued, raising net proceeds of approximately HK\$115.6 million. The initial public offering was 38 times over-subscribed and the placing was 4 times over-subscribed, successfully attracted the interests of retail and institutional investors in Hong Kong and overseas. The success confirmed that the Group has attained high recognition from the investment community.

The successful listing of the Group, I believe, will be regarded as entering into a new era. This new era represents the Board will continuously promote its corporate governance, internal control and fulfill all other obligations of being a listed company in Hong Kong.

I am also pleased to present the first annual report of the Group after its listing. The Group recorded the growth in both income and earnings with turnover increasing by approximately 40% to approximately RMB221.7 million and profit increasing by approximately 41% to approximately RMB59.8 million.

BUSINESS REVIEW

For the financial year ended 31 December 2005, China Flavors has a fruitful year as a result of the hard work of the management, a well developed business network and, most importantly, introduction of new products with good quality to the market. During the year, Shenzhen Guanlida Boton Spice Co., Ltd., a wholly owned subsidiary of the Company, was awarded as an Advanced Enterprise in Guangdong Food Industry in 2005 and its products was accredited as "Innovative Products" by Chinese Institute of Food Science and Technology.

The Group has successfully increased its market share in flavour enhancer industry resulting from the reform and restructuring of the tobacco industry. Since 1992, the Group has developed business relations with well established tobacco manufacturers, which have increased their demand for the Group's products after merging with other relatively smaller tobacco manufacturers.

In an attempt to benefit from the anticipated increase in the food flavour and fine fragrances resulting from a significant improvement in the living standard in the PRC, the Group has allocated more resources in developing the market in food flavouring and fine fragrances, such as promotion campaign and launching new food flavouring and fine fragrances products in year 2005, which our efforts have received positive response from the market and been reflected in the turnover of food flavouring and fine fragrances in year 2005.

The above-mentioned will not only be regarded as a milestone in the business development of the Group, but also create many business development opportunities for the Group.



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Looking forward, the Group's business growth is expected to accelerate in the future. We will seek growth through vertical and horizontal integration and by collaboration with business partners. We will also deploy more resources to enhance market promotion, strengthen the research and development team, increase our market share and expand the sales and distribution network in the PRC.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to present my sincere thanks to the customers, bankers, business partners and shareholders of the Company for their continuous support and trust and also to each staff member of the Group for their diligent work. The achievement of the Group would not be possible without the contribution from each of the staff member and their devotion.

Wong Ming Bun

Chairman

Hong Kong, 3 April 2006