HUABAO INTERNATIONAL HOLDINGS LIMITED
華寶國際控股有限公司 *

(Incorporated in Bermuda with limited liability)
(Stock code: 00336)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2009	2008	Growth
	HK$'000	*HK$'000*	
Sales	**1,938,443**	1,419,137	+ 36.6%
Gross profit	**1,460,971**	1,063,148	+ 37.4%
Operating profit	**1,199,825**	889,901	+ 34.8%
Profit after income tax	**1,129,711**	869,616	+ 29.9%
Profit attributable to the equity holders of the Company	**1,114,693**	862,145	+ 29.3%
Net cash generated from operating activities	**1,119,963**	871,964	+ 28.4%
	HK cents	*HK cents*	
Earnings per share			
– Basic	**36.22**	28.13	+ 28.8%
– Diluted	**35.76**	27.65	+ 29.3%
Interim and final dividends per share *(note 10)*	**10.8**	8.3	+ 30.1%
Special dividend per share *(note 10)*	**3.0**	–	

* *For identification purpose only*

The Group has achieved outstanding results in the past four years:

- Strong sales increased to approximately HKD1.938 billion for the current year from about HKD779 million for the year ended 31 March 2006 with a compound annual growth rate ("CAGR") of approximately 35.5%

- Profit attributable to the equity holders of the Company amounted to approximately HKD1.115 billion for the current year from HKD283 million for the year ended 31 March 2006 with CARG of approximately 57.9%

- Diluted earnings per share recorded HK35.76 cents for the current year from HK9.53 cents for the year ended 31 March 2006 with CAGR of approximately 55.4%

- Net cash generated from operating activities grew from HKD320 million for the year ended 31 March 2006 to approximately HKD1.120 billion for the current year with CAGR of approximately 51.9%

- The Company has been in a sound financial position without any debt owing to financial institutions, or involvement in any structural investment products during the past four years

The board of directors (the "Board") of Huabao International Holdings Limited (the "Company" or "Huabao") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2009 with comparative figures.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 March 2009 *HK$'000*	 2008 *HK$'000*
Sales	3	**1,938,443**	1,419,137
Cost of goods sold	4	**(477,472)**	(355,989)
Gross profit		**1,460,971**	1,063,148
Other income – net	5	**39,657**	40,548
Selling and marketing expenses	4	**(78,661)**	(58,348)
Administrative expenses	4	**(222,142)**	(155,447)
Operating profit		**1,199,825**	889,901
Finance income		**19,551**	14,411
Finance costs		**(7,934)**	–
Finance income – net	6	**11,617**	14,411
Share of profit/(loss) of associates	7	**426**	(312)
Profit before income tax		**1,211,868**	904,000
Income tax expense	8	**(82,157)**	(34,384)
Profit for the year		**1,129,711**	869,616
Attributable to:			
Equity holders of the Company		**1,114,693**	862,145
Minority interest		**15,018**	7,471
		1,129,711	869,616
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– Basic	9(a)	**36.22**	28.13
– Diluted	9(b)	**35.76**	27.65
Interim and final dividends	10	**333,019**	255,119
Special dividend	10	**92,544**	–
		425,563	255,119

CONSOLIDATED BALANCE SHEET

	Note	As at 31 March 2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**278,730**	198,878
Land use rights		**58,210**	24,887
Intangible assets		**1,507,151**	699,959
Investments in associates	*7*	**9,233**	3,663
Deferred income tax assets	*11*	**31,055**	12,345
		1,884,379	939,732
Current assets			
Inventories		**215,653**	136,862
Trade and other receivables	*12*	**526,310**	429,192
Cash and cash equivalents		**1,125,238**	971,595
		1,867,201	1,537,649
Total assets		**3,751,580**	2,477,381
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**308,480**	306,911
Reserves		**246,730**	130,748
Retained earnings			
– Proposed final dividend		**178,919**	184,147
– Proposed special dividend		**92,544**	–
– Others		**2,013,730**	1,330,425
		2,840,403	1,952,231
Minority interest		**93,789**	69,746
Total equity		**2,934,192**	2,021,977
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*11*	**93,813**	30,701
Current liabilities			
Trade and other payables	*13*	**683,581**	419,587
Current income tax liabilities		**39,994**	5,116
		723,575	424,703
Total liabilities		**817,388**	455,404
Total equity and liabilities		**3,751,580**	2,477,381
Net current assets		**1,143,626**	1,112,946
Total assets less current liabilities		**3,028,005**	2,052,678

Notes:

1. Pursuant to an acquisition agreement dated 7 July 2008, the Company acquired Wealthy King Investments Limited ("Wealthy King") and its subsidiaries ("Wealthy King Group") from Ms. Chu Lam Yiu ("Ms. Chu") (the "Acquisition") at a consideration of HKD870,550,000, satisfied or to be satisfied by cash payment. The Acquisition was a connected and discloseable transaction pursuant to The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of the transaction were set out in the circular dated 23 July 2008 issued by the Company. The Acquisition was completed on 14 August 2008.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

(a) Application of merger accounting

Since the Company and Wealthy King Group were both controlled by Ms. Chu before and after the completion of the Acquisition as mentioned in Note 1, the Acquisition has been accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 'Merger Accounting for Common Control Combinations' issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The consolidated financial statements include the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since Ms. Chu controlled them, or since their respective dates of incorporation/establishment. For companies acquired from third parties during the year, they would be included in the consolidated financial statements of the Group from the date of that acquisition.

(b) The following amendment and interpretation to standards are mandatory for the financial year ended 31 March 2009:

HKAS 39	'Financial Instruments: Recognition and measurement'
HK(IFRIC) – Int 14	'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

The following interpretation to standards is mandatory for the financial year ended 31 March 2009 but not relevant to the Group's operations:

HK(IFRIC)-Int 12	'Service concession arrangements'

The Group has not early adopted the new and revised standards, amendments or interpretations that have been issued but are not yet effective for the Group for the financial year ended 31 March 2009. Details of these are included in the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

(a) Primary reporting format – business segments

As at 31 March 2009, the Group is organized into three main business segments:

(1) Production and sale of tobacco flavours;

(2) Production and sale of food flavours; and

(3) Production and sale of fragrances.

Other group business mainly includes trading of fine chemicals products and research and development service, which do not constitute a separately reportable segment.

The segment information for the year ended 31 March 2009 is presented below.

	Year ended 31 March 2009				
	Tobacco flavours *HK$'000*	**Food flavours** *HK$'000*	**Fragrances** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Total turnover	**1,654,436**	**233,531**	**55,748**	**22,939**	**1,966,654**
Inter-segment sales	**(80)**	**(14,268)**	**–**	**(13,863)**	**(28,211)**
Net turnover	**1,654,356**	**219,263**	**55,748**	**9,076**	**1,938,443**
Segment result	**1,183,461**	**24,799**	**13,413**	**(21,848)**	**1,199,825**
Finance income					**19,551**
Finance costs					**(7,934)**
Finance income – net					**11,617**
Share of profit of associates					**426**
Profit before income tax					**1,211,868**
Income tax expense					**(82,157)**
Profit for the year					**1,129,711**
Segment assets	**3,300,723**	**281,949**	**135,610**	**33,298**	**3,751,580**
Segment liabilities	**685,160**	**52,437**	**26,945**	**52,846**	**817,388**
Other segment items					
Capital expenditure	**832,081**	**16,248**	**92,794**	**106**	**941,229**
Depreciation	**21,495**	**4,739**	**766**	**820**	**27,820**
Amortization	**24,030**	**2,379**	**678**	**–**	**27,087**
Reversal of impairment provision for trade receivables *(note 4)*	**(62)**	**–**	**–**	**–**	**(62)**

The segment information for the year ended 31 March 2008 is presented below.

	Year ended 31 March 2008				
	Tobacco flavours *HK$'000*	Food flavours *HK$'000*	Fragrances *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Total turnover	1,239,958	175,536	–	23,850	1,439,344
Inter-segment sales	(75)	(4,435)	–	(15,697)	(20,207)
Net turnover	1,239,883	171,101	–	8,153	1,419,137
Segment result	900,295	20,303	–	(30,697)	889,901
Finance income					14,411
Share of loss of an associate					(312)
Profit before income tax					904,000
Income tax expense					(34,384)
Profit for the year					869,616
Segment assets	2,150,908	260,632	–	65,841	2,477,381
Segment liabilities	387,999	59,873	–	7,532	455,404
Other segment items					
Capital expenditure	650,311	44,811	–	1,138	696,260
Depreciation	14,215	3,544	–	1,336	19,095
Amortization	8,592	5,331	–	–	13,923
Impairment provision for trade receivables *(note 4)*	–	1,217	–	–	1,217

Segment assets consist primarily of property, plant and equipment, land use rights, intangible assets, deferred income tax assets, trade and other receivables, inventories, operating cash and investments in associates.

Segment liabilities comprise operating liabilities and deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment, land use rights and intangible assets, including additions resulting from acquisitions through business combinations.

(b) Secondary reporting format – geographical segments

The revenue is mainly derived in the PRC, and the principal assets are located in the PRC. Accordingly, no additional information on geographical segment is presented.

4. EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing expenses and administrative expenses are analyzed as follows:

		Year ended 31 March	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Depreciation, excluding amounts included in research and development		**22,660**	15,942
Amortization		**27,087**	13,923
Changes in inventories of finished goods and work in progress		**(25,321)**	(6,699)
Raw materials and consumables used		**464,153**	356,472
(Reversal of)/Provision for impairment for trade receivables	*3*	**(62)**	1,217
Lease rentals		**4,954**	4,965
Auditor's remuneration		**6,269**	5,542
Travelling expenses		**18,562**	15,764
Entertainment expenses		**17,176**	14,331
Employee benefit expenses, excluding share option compensation expenses and amounts included in research and development		**82,454**	55,985
Share option compensation expenses		**30,889**	32,047
Research and development			
– Employee benefit expenses		**31,234**	18,416
– Depreciation		**5,160**	3,153
– Others		**15,274**	9,529

5. OTHER INCOME – NET

	Year ended 31 March	
	2009	2008
	HK$'000	*HK$'000*
Sales of raw materials	**761**	32
Government grants	**20,295**	7,170
Exchange gain – net	**17,286**	27,299
Others	**1,315**	6,047
	39,657	40,548

6. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 March	
	2009	2008
	HK$'000	*HK$'000*
Interest income on bank deposits	**19,551**	14,411
Finance costs	**(7,934)**	–
Finance income – net	**11,617**	14,411

7. INVESTMENTS IN ASSOCIATES

	Year ended 31 March	
	2009	2008
	HK$'000	*HK$'000*
Beginning of the year	**3,663**	3,975
Share of profit/(loss) of associates	**426**	(312)
Combination of Wealthy King Group	**5,913**	–
Dividends declared	**(679)**	–
Exchange differences	**(90)**	–
End of the year	**9,233**	3,663

8. INCOME TAX EXPENSE

		Year ended 31 March	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Current income tax			
– Hong Kong profits tax		**–**	–
– PRC corporate income tax	*8(a)*	**66,928**	20,923
Deferred income tax assets	*11*	**(14,709)**	15,305
Deferred income tax liabilities	*11*	**29,938**	(1,844)
		82,157	34,384

(a) PRC corporate income tax has been calculated on the estimated assessable profit for the year at the tax rates applicable to respective companies of the Group.

(b) No provision for income tax in other jurisdictions has been made as the Group has no assessable profit in those jurisdictions during the year.

(c) The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rates applicable to respective companies of the Group as follows:

	Year ended 31 March	
	2009	2008
	HK$'000	*HK$'000*
Profit before income tax	**1,211,868**	904,000
(Less)/Add: Share of (profit)/loss of associates	**(426)**	312
	1,211,442	904,312
Tax calculated at tax rates applicable to respective group companies	**316,660**	239,581
Effect of tax holiday	**(237,787)**	(208,353)
Tax impact of expenses not deductible for tax purposes	**2,690**	2,630
Utilization of previously unrecognized tax losses	**(2,306)**	(1,700)
Tax losses for which no deferred income tax assets were recognized	**2,900**	2,226
Income tax expense	**82,157**	34,384

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 March	
	2009	2008
Profit attributable to equity holders of the Company *(HK$'000)*	**1,114,693**	862,145
Weighted average number of ordinary shares in issue *('000)*	**3,077,276**	3,064,711
Basic earnings per share *(HK cents per share)*	**36.22**	28.13

(b) Diluted

Diluted earnings per share is calculated based on the weighted average number of ordinary shares outstanding, assuming that all dilutive potential ordinary shares have been converted. For the year ended 31 March 2009, the Company has one type of dilutive potential ordinary shares i.e. share options.

For the share options, the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) is determined based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 March	
	2009	2008
Profit attributable to equity holders of the Company *(HK$'000)*	**1,114,693**	862,145
Weighted average number of ordinary shares used to calculate basic earnings per share *('000)*	**3,077,276**	3,064,711
Adjustment for:		
– exercise of share options *('000)*	**40,105**	53,340
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**3,117,381**	3,118,051
Diluted earnings per share *(HK cents per share)*	**35.76**	27.65

10. DIVIDENDS

	Year ended 31 March 2009 HK$'000	2008 HK$'000
Interim dividend paid of HK5.0 cents (2008: HK2.3 cents) per share	**154,100**	70,579
Proposed final dividend of HK5.8 cents (2008: HK6.0 cents) per share	**178,919**	184,540
	333,019	255,119
Proposed special dividend of HK3.0 cents (2008: nil) per share	**92,544**	–
	425,563	255,119

During the year ended 31 March 2009, an interim dividend of approximately HKD154,100,000 (HK5.0 cents per share) (2008: HK2.3 cents per share) has been paid by the Company. A final dividend of HK5.8 cents per share (2008: HK6.0 cents per share), HKD178,919,000 (2008: HKD184,540,000) in aggregate, together with a special dividend of HK3.0 cents per share (2008: nil), HKD92,544,000 in aggregate, are proposed at the meeting of the Board held on 18 June 2009 which are subject to the shareholders' approval in the forthcoming annual general meeting. These consolidated financial statements do not reflect these dividends payable.

11. DEFERRED INCOME TAX ASSETS/LIABILITIES

The movement in the deferred income tax is as follows:

	Deferred income tax assets	Deferred income tax liabilities		
	Unrealized profits arising from intra-group sales HK$'000	Valuation surplus of assets and recognition of intangible assets HK$'000	Withholding income tax on dividends expected to be remitted from group entities incorporated in the PRC HK$'000	Total HK$'000
At 1 April 2007	26,022	–	–	–
Combination of Win New Group Limited and its subsidiaries ("Win New Group")	–	29,854	–	29,854
Recognized in the income statement	(15,305)	(1,844)	–	(1,844)
Exchange differences	1,628	2,691	–	2,691
At 31 March 2008	**12,345**	**30,701**	**–**	**30,701**
Combination of Wealthy King Group	**3,614**	**30,939**	**–**	**30,939**
Acquisition of Profit Fortune Holdings Limited and its subsidiaries	**–**	**1,551**	**–**	**1,551**
Recognized in the income statement	**14,709**	**(4,890)**	**34,828**	**29,938**
Exchange differences	**387**	**684**	**–**	**684**
At 31 March 2009	**31,055**	**58,985**	**34,828**	**93,813**

Deferred income tax assets are recognized for temporary differences arising from the unrealized intra-group profits from intra-group sales, and calculated under the liability method using the tax rates which are enacted or substantively enacted by the balance sheet date. The deferred income tax assets are expected to be recovered within 12 months from the balance sheet dates.

Deferred income tax liabilities arosed from the valuation surplus of property, plant and equipment, land use rights and recognition of intangible assets as a result of acquisitions/combination of subsidiaries; and withholding income tax on dividends expected to be remitted aboard by group entities incorporated in the PRC.

Pursuant to the PRC Corporate Income Tax Law approved by the National People's Congress on 16 March 2007, a 10% withholding tax is levied on dividends remitted from the PRC to overseas investors with effect from 1 January 2008. A lower withholding tax rate is applied to Hong Kong investors as there is a tax treaty arrangement between Mainland China and Hong Kong. The directors of the Company estimated that a portion of profits generated by those PRC subsidiaries would be distributed to their Hong Kong parent companies in 2009. Therefore, deferred income tax liabilities had been provided based on 5% of the estimated profits to be remitted to Hong Kong. The directors of the Company will review the fund requirements of the Group from time to time and revise the dividend distribution policy of its subsidiaries as appropriate.

12. TRADE AND OTHER RECEIVABLES

		As at 31 March	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Trade receivables	*12(b)*	**409,285**	377,554
Less: Provision for impairment of receivables		**(1,989)**	(2,100)
Trade receivables – net		**407,296**	375,454
Note receivables		**85,766**	40,471
Prepayments and other receivables		**19,671**	2,832
Advances to staff		**4,439**	3,973
Others		**9,138**	6,462
		526,310	429,192

(a) All trade and other receivables are either repayable within one year or on demand. Accordingly, the fair values of trade and other receivables approximate to their carrying values.

(b) The credit period generally granted to customers ranges from 0 to 180 days. The ageing analysis of the trade receivables as at the balance sheet dates is as follows:

	As at 31 March	
	2009	2008
	HK$'000	*HK$'000*
0 – 90 days	**339,187**	337,591
91 – 180 days	**49,836**	24,074
181 – 360 days	**10,644**	12,256
Over 360 days	**9,618**	3,633
	409,285	377,554

13. TRADE AND OTHER PAYABLES

	Note	As at 31 March 2009 HK$'000	2008 HK$'000
Trade payables	*13(a)*	**160,835**	162,295
Due to related parties		**460,905**	174,319
Wages payable		**7,671**	3,572
Other taxes payable		**10,954**	37,442
Accrued expenses		**5,280**	4,319
Amounts due to the then minority shareholders		**–**	22,117
Customer advance payment		**10,860**	2,086
Other payables		**27,076**	13,437
		683,581	419,587

The fair values of trade and other payables approximate their carrying values.

(a) The ageing analyses of the trade payables as at the balance sheet dates are as follows:

	As at 31 March 2009 HK$'000	2008 HK$'000
0 – 90 days	**122,427**	123,148
91 – 180 days	**19,232**	37,755
181 – 360 days	**6,532**	381
Over 360 days	**12,644**	1,011
	160,835	162,295

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2009, the Group once again achieved outstanding results. Sales revenue amounted to HKD1,938,443,000, representing a growth of about 36.6% from HKD1,419,137,000 for the corresponding period last year, of which: sales revenue from tobacco flavours increased by about 33.4% to HKD1,654,356,000 from HKD1,239,883,000 for the corresponding period last year; sales revenue from food flavour was increased by about 28.1% to HKD219,263,000 from HKD171,101,000 for the corresponding period last year; and sales revenue from fragrances amounted to HKD55,748,000. The overall gross profit margin reached a steady growth of about 75.4% from about 74.9% for the corresponding period last year. During the reporting period, profit attributable to equity holders of the Company amounted to HKD1,114,693,000, representing an increase of about 29.3% from HKD862,145,000 for the corresponding period last year.

BUSINESS REVIEW

Review of the Tobacco Flavours Business

1. *Review of results*

For the year ended 31 March 2009, sales revenue from tobacco flavour reached HKD1,654,356,000, representing a growth of about 33.4% as compared with the corresponding period last year and a CAGR of over 30% since the financial year ended 31 March 2006, outperformed the growth target set by the management. The sustainable and rapid growth of tobacco flavour business was mainly attributable to the consolidation of the tobacco industry, upgrading of the cigarette product mix to the high-end category and the Group's continuously reinforcing on the development model of "Big Customer, Big Brand". During the year, the Board believe that China's top ten cigarette corporations have all become the ultimate customers of the Group.

For the year ended 31 March 2009, the operating profit of the tobacco flavour business amounted to HKD1,183,461,000, representing an increase of about 31.5% as compared with corresponding period last year.

Since 2001, the Group has set up a joint venture with Hongta Tobacco Group Limited Liability Company ("Hongta Tobacco Group") to carry out a full scope of technical service to clients. In order to further strengthen the cooperation between Huabao and Hongta Tobacco Group and also provide more and better service to customers, the Group has signed up a strategic cooperation agreement with Hongta Tobacco Group in November 2008. The Directors are of the view that these measures will enhance the "Big Customers, Big Brands" development strategy effectively, further strengthening the Group's position among major tobacco group customers, and therefore achieve sustainable revenue in the future consolidation of the tobacco industry.

2. *Recent development in the tobacco industry*

China is the largest cigarette consumption country, accounting for approximately one-third of the total consumption in the world. China has approximately 350 million smokers, consuming over 2 trillion cigarette sticks each year. In recent years, China's tobacco industry has been growing steadily and reflected several characteristics: firstly, the sales volume has maintained a steady growth with around 4% CAGR since 2002; secondly, the consumption structure is mainly comprised of Chinese style cigarettes while the market share of imported cigarettes was approximately 0.1% only in previous years; thirdly, the demand on famous and high quality cigarette has been growing fast and the consumption level rising gradually with around 8% CAGR in sales revenue based on steady improvement of the living standard of citizens in China; fourthly, the tobacco industry continues to play a significant role in China's national economy, contributing tax revenue of approximately RMB449.1 billion in 2008, accounting for about 7.3% of the State's fiscal revenue and representing an increase of approximately 16% as compared with approximately RMB388.7 billion in the previous year (Source of information: Tobacco Online).

- *On-going consolidation in the tobacco industry*

  In 2008, the consolidation in the tobacco industry entered into a new stage in which the cross-provincial and large-scale industrial restructuring took place. In June 2008, two tobacco groups in Guangdong Province and Guangxi Province respectively announced the first cross-provincial merger in the tobacco industry. In November 2008, Hongyun and Honghe Tobacco Group in Yunnan province announced to merge and the merged group became the largest tobacco group in China. These cases symbolized the consolidation in China tobacco industry has entered into a new stage. As the consolidation was underway, the scale of the major brands and their market shares were further enhanced. From January to December 2008, 13 brands recorded an annual output of over 1 million cases, and 21 brands achieved sales revenue of more than RMB10 billion each. The sales volume of the top ten brands accounted for approximately 39.6% of the total sales volume in the industry (Source of information: Tobacco Online). The above statistics show that the "Double Ten Strategy" introduced by the State Tobacco Monopoly Administration is being implemented progressively, and China's tobacco industry has stepped into a new stage of consolidation, giving rise to greater concentration in the industry.

- *Development trend of healthier Chinese style cigarettes*

  It is apparent that Chinese style cigarettes contain a higher level of tar content than the standard of more developed countries. In 2007, the average tar content per cigarette in China was approximately 13.4mg (Source of information: *Tobacco Science and Technology*), while that of major cigarette brands in Europe and US was below 8mg per cigarette and that of major cigarette brands in Japan was below 5mg per cigarette in average. Based on the Board's analysis, the Chinese government intends to lower the tar content to a level below 12mg per cigarette in the future. Therefore, the development trend of healthier Chinese style cigarettes is inevitable, it is mainly reflected in the decrease in tar content in and reduction of harmful effects of cigarettes. There are, however, studies in the industry revealing that the reduction in tar content in cigarettes results in substantial loss of cigarettes' fragrance, specifically indicated by the aroma becoming less intense, flatter, drier, and less enjoyable. Therefore, the introduction of more new fragrance and flavour products is required in order to maintain the original quality, aroma and taste of cigarettes. These efforts provide new growth opportunities for flavour and fragrance companies. As the Group has been well-equipped with technologies in meeting international standard in this aspect, together with its profound knowledge in the tastes of renowned Chinese style cigarette brands, it is believed that there will be a larger room for development in the future.

- *Development trend of new materials for cigarettes*

  The Board considers that following the development of healthier Chinese style cigarettes and the trend of new materials, the usage of certain new cigarette materials in products will emerge and expand gradually. The application of new materials and the further improvement of product quality will become a new room for development.

3. Development strategy of tobacco flavour business

- To continue to adhere to the "Big Customers, Big Brands" development strategy, and capitalize on the industrial consolidation to capture greater market share.

- To fully utilize the technical advantages to seize new opportunities brought about from the trend of development of quality optimization and healthier products in China's tobacco industry; to develop new products with greater potentials in the market and to further expand the sales revenue.

- To further encourage the technological exchange and cooperation with the leading players in the tobacco industry, seize the opportunity from the development of new materials to cigarettes and continuously explore and promote the application of tobacco flavour into cigarette production.

- To continue to consolidate flavour companies via merger and acquisition ("M&As") so as to maintain the Group's strategic position in the sector.

Review of the Food Flavour Business

1. Review of results

For the year ended 31 March 2009, the sales revenue from food flavour reached approximately HKD219,263,000, representing a year-on-year growth of approximately 28.1%. While maintaining the stable gross profit margin and operating profit margin, the food flavour business achieved a rapid organic growth.

The rapid development of the food flavour business was attributable to the Group's insistence on its strategy of actively developing the local market with localized tastes. During the year, Guangzhou Huabao Flavours & Fragrance Co., Ltd. specialized in the development of localized tastes, creating four major series of products including meat products, snacks, instant noodles and catering and domestic seasonings. A new customer base has been established as well to provide a new growing force for revenue. Meanwhile, the product quality of the food operation of Win New Group acquired in 2007 was improved through technological improvements and enlargement of productivity, leading to a rapid growth and promising results. During the reporting period, Guangdong Zhaoqing Fragrances Ltd. awarded for the Prize of "Outstanding contributions to the food industry in thirty-years of Reform and Opening-up of Guangdong province" and the trademark of "Xinghu" awarded as one of "The most influential brands". In addition, Shanghai H&K Flavours & Fragrances Co., Ltd. ("Huabao Kongque") also developed several series of new natural food flavour products, such as natural milk fat additional aromatiser series, natural tea aroma series, cereal aroma series and natural herbal aroma series, which are produced with high technology and have huge market potentials. The response of the major direct customers and the distribution market to the promotion of these series of products via promotion was encouraging with gradually increasing sales amount. The Group is dedicated to establishing long-term relationships with a number of quality and renowned domestic and foreign end-customers in China's market. The sales revenue from direct sales to customers increased rapidly. Some of the direct sales customers of the Group include Danone (法國達能), Totole (太太樂食品), Yurun (雨潤), Bright (光明), Master Kong (康師傅), Dayefeng (大椰風), Huiyuan Fruit Juice (滙源果汁), Dali Group (達利集團), Heinz (亨氏), Lee Kam Kee (李錦記), COFCO (中糧) and etc.

With the product quality and the food safety as its top priority at all times, the Group has been implementing rigorous control procedures on procurement of raw materials, production and completion of products to actively conform to the international standard, and established a sophisticated quality control system. After obtaining ISO9001, the relevant subsidiaries have successively obtained a series of international certification of qualifications, including Kosher certification, Halal certification, ISO22000 Food Safety Management System Certification and OHSAS18001 Occupational Health and Safety Management System Certification. As at 30 March this year, with zero default, Huabao Kongque passed a certification audit conducted by SGS-CSTC Standards Technical Services Co., Ltd. in relation to the effectiveness, appropriateness and conformity of the company's environmental management system and obtained a certificate in this regard, therefore Huabao Kongque has obtained four major system certifications including ISO9001 Certification, ISO22000 Certification, ISO14001 Certification and OHSAS18001 Certification, evidencing that the management standards of Huabao achieve the international standards in terms of quality and safety. Through strict management systems and control procedures, the Group ensures the safety of production and the product quality, and eliminates potential risks.

2. ***Development strategy of food flavour business***

In 2008, the PRC food and beverage industry remain a rapid but stable growth. The awareness of the safety issues in the food and beverage industry is increasing. The technological and safety issues will continue to lift up the entry barrier into the food and beverage industry as well as the food flavour industry, leading to a higher market concentration. The development strategy adopted by the Group for the food flavour business will remain unchanged. In other words, the Group will insist on its primary strategy to develop localized tastes:

- To adhere to the two-thronged approach of distribution and direct sales, further consolidate and improve the distribution network, fully utilize the market recognition of "Kongque" brand, step up efforts into product promotion, and move the service network closer to the end users.

- To focus on developing direct sales, secure key customers in the industry, concentrate resources and improve service quality, develop specific projects and seek breakthroughs step by step and establish all-round relationships with key customers through such technological platforms as the state-recognized technology centre, in a bid to promote the rapid growth of direct sales.

- To accelerate the development of savory flavour, and to provide food and beverage customers and catering customers with more unique and special products on the bases of high standards, professionalization and localization and specialize in developing the products such as meat products/chilled products, instant noodles, seasonings, puffed ingredients and catering ingredients.

- To upgrade the product research and development ("R&D") level, introduce top-notch R&D personnel in the world and bring the local technology directly in line with the international standards.

- To conduct research into the industry standards and participate in formulating industry standards, stress on and ensure food safety, and enhance the recognition and seize opportunities.

- To be attentive to industry development, keep a close eye on the flavour and fragrance industry, and seek opportunity to acquire and merge with those enterprises whose products and market are complementary and strategic to the Group, thereby speeding up the development.

Review of fragrances business

1. Business overview

In May 2008, the Group successfully acquired 51% equity interests in Xiamen Amber Fragrances Co., Ltd. ("Amber") and stepped into the fragrances industry. Amber plays an important role in the fragrances industry in China, and is a member of China Association of Fragrance Flavour and Cosmetic Industry and a high-tech company in Xiamen. "Amber" is recognized as a well-known trademark in Xiamen. In April this year, Amber was rated as one of the small-mid enterprises with the most growth potential in Xiamen. After the acquisition, the Group has implemented the technological improvement and upgrading on Amber, which enlarged its productivity. The Group also revamped the original laboratories, expanded Amber's flavourist team and added a new applied engineer team. As to brand management, the Group enhanced its marketing efforts, planned and aggressively organized large-scale exhibitions to improve Amber's brand reputation and market influence. During the year, Amber established offices in Shanghai and Guangzhou, further expanding key markets in Pearl River Delta and Yangtze River Delta. Gradually, Amber explored the market and formed business relationship with more domestic famous daily chemical corporations.

Two teams has been working closely and ensured smooth implementation of the consolidation, which brought in satisfactory results. For the eleven months ended 31 March 2009, sales revenue from Amber reached HKD55,748,000, and unaudited profit after income tax (before impairment and amortization of goodwill and intangible assets) amounted to HKD11,179,000, which outperformed the target set by the management. As to product mix, Amber's primary products comprise aromatherapy fragrances, detergent fragrances, which are applied to personal care and household products.

Amber is dedicated to establishing good partnerships with a batch of quality and renowned ultimate customers in China's market, such as Liby (立白), Lanju (欖菊), Lonkey (浪奇), Sanxiao (三笑), Rainbow Group (彩虹集團), YaDai (雅黛) and certain domestic leading manufactures of mosquito-repellent incense. For the year ended 31 March 2009, Amber developed nearly 50 new products, and made certain major breakthroughs in fragrances such as fresheners, detergent, perfumed soap and personal care products, etc.

2. Development strategy of fragrances business

- To fully utilize the platform of Amber and the robust composite R&D capability of the state-recognized technology centre and the overseas R&D centre, specialize in expanding and developing localized products and business; based on aromatic and detergent products, to reinforce the development of new products such as shampoo, perfumed bathing lotion, air fresheners and the expansion of the customer base.

- To seek opportunities for M&As and identify the right opportunity to acquire and merge with those enterprises whose products and market are complementary with the Group so as to further expand the scale and competitiveness of the Group.

- To capitalize on the relatively high regional density of the PRC fragrances market, set a foothold in Xiamen and further explore key markets in Pearl River Delta and Yangtze River Delta in order to build Amber bigger and stronger.

Review on research and development

The R&D ability of a flavour and fragrance company truly represents its overall strength. The Group has set up an internationally and domestically leading R&D team which is up to the international standards. The state-recognized technology centre in Shanghai, the overseas R&D centre in Germany and the professional R&D departments in Yunnan, Guangdong and Fujian together formed a vertically integrated platform for R&D from the fundamental level to the applied one. The R&D strategy of the Group has always been market-driven to closely trace the latest global industry trends and to accelerate the mastering of key raw material technologies. Moreover, the Group developed products and technologies that meet the market demand, providing a comprehensive technical service for customers, and devoted in maximizing value for clients.

Future prospects

The PRC market remains prosperous

When the developed economies including Europe and US were suffering the most severe crisis in a century, the PRC economy still demonstrated a rapid growth of 9% in 2008. With the implementation of RMB4,000 billion economic stimulation scheme of the PRC government, the GDP of the PRC is expected to maintain at the growth rate of 8% in 2009. The PRC economy has become one of the most active markets around the globe. The strong domestic demand in the PRC market further indicates that the influence of economic crisis on the PRC tobacco industry and the consumer product industry is relatively small. The Board remains confident in the development of the PRC economy as well as the PRC consumer product market.

Characteristics of the global flavour and fragrance industry

The flavour and fragrance industry is characterized by its relatively high stability, thus having higher resistance to economic cycles. The development of the PRC flavour and fragrance industry is still at an initial stage in which the concentration of the industry is low with an abundant space for development. As the largest domestic flavour and fragrance company in the PRC and, by leveraging on its capabilities, the Group will seize the opportunities arising from the consolidation of the industry to pursue M&As, further expand its market share and develop new businesses so as to enhance the Company's comprehensive competitiveness.

Development strategy

Our future development strategy remains to seize the opportunities arising from the rapid growth of China's economy, maintain the tobacco flavour operation as the core business, adhere to the strategy of diversification, and score rapid growth through organic growth and M&As:

- To continue to maintain the tobacco flavour as the core business

- To accelerate the development of the food flavour business

- To fully utilize the platform of Amber and to expand the fragrances business

- Actively develop the upstream raw materials segment, strive to form an integrated value chain, and develop the Group into a worldwide leading flavour and fragrance company

Growth of the existing businesses

- Tobacco flavour: to leverage on the strengths in products and technologies, further strengthen the cooperation with other market leaders in tobacco industry, further expand its market share in leading tobacco companies and in famous and quality brands, and keep exploring new applications of tobacco flavour.

- Food flavour: to speed up the development of savoury flavour, develop new products, and expand direct sales.

- Fragrances: to step up efforts in the integration of Amber for enhancement and development

- Upstream raw materials: to develop its unique advantages in raw materials and further enhance its core competitiveness of the products

Endeavour to seek the opportunities for M&As

- Tobacco flavour: to further strengthen the strategic position in the industry through M&As

- Food flavour: to further enhance the industry leadership through M&As

- Fragrances: to further enlarge the operation scale through M&As

Further promotion of internationalization

The Group has been promoting the strategy of internationalization. Talents and technology are the core competitive edges of the Group and constitute the first step for internationalization. Looking forward, the Group will endeavour to create a favourable environment in order to continuously attract overseas and domestic professionals to join the Group. Meanwhile, the Group will also accelerate the research on overseas markets and identify the right opportunity to enter into international markets cautiously.

FINANCIAL REVIEW

Analysis of consolidated results for the year ended 31 March 2009

Sales

The Group recorded a sales of HKD1,938,443,000 for the year ended 31 March 2009, representing an increase of about 36.6% as compared with HKD1,419,137,000 of last year. The rapid growth of sales was mainly due to substantial increase in the sales of tobacco and food flavour of the Group and the acquisition of Wealthy King Group and Amber. For the year ended 31 March 2009, the turnover of tobacco flavour of the Group increased by about 33.4% to HKD1,654,356,000, contributing about 85.3% of the total income, food flavour increased by about 28.1% to HKD219,263,000, contributing about 11.3% of the total income, while the turnover of fragrances of the Group amounted to HKD55,748,000, contributing about 2.9% of the total income.

Cost of Sales

Cost of sales of the Group amounted to HKD477,472,000 for the year ended 31 March 2009, representing an increase of about 34.1% as compared with HKD355,989,000 for the corresponding period of last year. The % increase in the cost of goods sold which was lower than the percentage increase in the sales revenue was mainly attributable to the stable increase in the gross profit margin of the Group.

Gross profit and gross profit margin

Gross profit of the Group increased to HKD1,460,971,000 for the year ended 31 March 2009 from HKD1,063,148,000 for the year ended 31 March 2008, representing a growth of about 37.4%, while the gross profit margin of the Group increased to about 75.4% for this financial year from about 74.9% for the last financial year. Gross profit margin remains stable. The increase in gross profit was primarily due to the substantial increase in the sales revenue of the Group.

Other income

Other income of the Group was HKD39,657,000 for the year ended 31 March 2009, representing a decrease of about 2.2% as compared with HKD40,548,000 for the year ended 31 March 2008. The decrease in other income was mainly attributable to the decrease in exchange gains from RMB appreciation.

Selling and marketing expenses

Selling and marketing expenses of the Group mainly comprised of travelling expenses, transportation cost, salaries and office expenses. The selling and marketing expenses of the Group amounted to HKD78,661,000 for the year ended 31 March 2009, representing an increase of about 34.8% as compared with HKD58,348,000 for the previous year. Both selling and marketing expenses represented about 4.1% of the total sales during the periods under review respectively, the ratios remain stable.

Administrative expenses

The Group's administrative expenses amounted to HKD222,142,000 for the year ended 31 March 2009, representing an increase of about 42.9% as compared with HKD155,447,000 for the previous year. Administrative expenses accounted for about 11.5% and about 11.0% of the total sales during the periods under review respectively, percentage was slightly increased as compared with that of last year. The increase was mainly attributable by the increase of R&D expenses and staff's salaries and benefits.

Operating profit

The operating profit of the Group was HKD1,199,825,000 for the year ended 31 March 2009, representing an increase of about 34.8% as compared with HKD889,901,000 for the previous year. The operating margin of the Group was remains stable compared with the level of previous year.

Income tax expenses

Income tax expenses of the Group amounted to HKD82,157,000 for the year ended 31 March 2009, representing a sharp increase of about 138.9% as compared with HKD34,384,000 for the previous year, and the income tax rates were about 6.8% and about 3.8% respectively. Such sharp increase in the income tax expenses was mainly attributable to the provision of income tax arising from the proposed dividends payment by the PRC subsidiaries to its parent companies which are outside mainland China in relation to the profit generated by those PRC subsidiaries during the period and the preferential tax periods (two-year exemption and three-year half rate) for certain subsidiaries of the Group were expired.

Net current assets and financial resources

As at 31 March 2009, the net current assets of the Group was HKD1,143,626,000 (2008: HKD1,112,946,000). The Group generates its working capital mainly through its operating activities and maintains a healthy financial position. As at 31 March 2009, the Group had cash and cash equivalents of HKD1,125,238,000 (2008: HKD971,595,000), over 90% of which was denominated in RMB.

The Group neither had debt from financial institutions nor held any forex hedge products or structural investment products or financial derivatives.

Investing activities

The Group's investing activities were mainly incurred for the purchase of fixed assets and the strategically development strategies for M&As. For the year ended 31 March 2009, the net cash used in investing activities amounted to HKD673,869,000, mainly incurred for the acquisition of Wealthy King Group. For the year ended 31 March 2008, the net cash used in investing activities amounted to HKD644,599,000.

Financing activities

For the year ended 31 March 2009, the net cash used in financing activities amounted to HKD295,927,000, mainly used for dividend distribution to shareholders. For the year ended 31 March 2008, the net cash used in financing activities amounted to HKD171,962,000.

Debtors' turnover period

The calculation of debtors' turnover period is based on the average amount of trade receivables net of provision as at the beginning and end of the relevant financial period divided by total turnover of the corresponding period and multiplied by the number of days in that period. The Group generally offers its customers credit terms of 0-180 days, depending on the business volume and the history of business relationship with its customers. For the year ended 31 March 2009, the Group's average debtors' turnover period was 74 days, representing a decrease of 9 days as compared with 83 days for the last financial year ended 31 March 2008. The debtors' turnover period decreased as a result of enhancing credit management and control measures undertaken by the Group.

Creditors' turnover period

The calculation of creditors' turnover period is based on the average amount of trade payables as at the beginning and end of the relevant financial period divided by cost of goods sold of the corresponding period and multiplied by the number of days in that period. Credit terms granted by suppliers to the Group ranged from 0 to 180 days. For the year ended 31 March 2009, the Group's average creditors' turnover period was 124 days, same as that for the last financial year ended 31 March 2008 of 124 days. The creditors' turnover period remains stable.

Inventory and inventory turnover period

As at 31 March 2009, the Group's inventory balance amounted to HKD215,653,000 (2008: HKD136,862,000). For the year ended 31 March 2009, the inventory turnover period, calculated based on the average amount of inventories as at the beginning and the end of the relevant financial year divided by cost of sales for the corresponding period and multiplied by the number of days in that period, was 135 days, representing an increase of 33 days as compared with 102 days for the previous year. Comparing with the interim reporting period ended 30 September 2008, the Group's inventory turnover period was 142 days, representing a decrease of 7 days. The longer inventory turnover period for the year was a result of inventory storage adjustment of the Group in order to fulfill the production requirement and shorter supply cycle of customers.

Foreign exchange and exchange rate risk

The principal businesses of the Group are located in the PRC and most of the business transactions are denominated in RMB. The Board is of the view that the Group's exposure to foreign exchange risk is insignificant. There is insignificant pressure for the depreciation of RMB and thus the Group's exposure to exchange rate risk is relatively low.

Contingent liabilities

According to the information available to the Board, the Group had no contingent liabilities as at 31 March 2009.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices ("CG Code")

The Company has complied with the code provisions under the CG Code as set out in Appendix 14 to the Listing Rules throughout the reporting period except for the deviation from the following code provision:

– A.4.1, stipulates that non-executive directors should be appointed for specific term and subject to re-election. The independent non-executive directors of the Company were not appointed for a specific term as they are subject to retirement by rotation no later than the third annual general meetings of the Company since their last appointment or re-election and are eligible for re-election in accordance with the Company's bye-laws. As such, the Company believes that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

Initiated by the Audit Committee, Pricewaterhouse Coopers Consultants (Shenzhen) Ltd. has conducted a review of the internal controls system of the Group under the principles set out by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") covering major control aspects in March 2008. The Company has since then implemented certain measures to further strengthen the internal control system. The Board considers that the internal controls systems of the Company are in broad effective.

Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry to all directors, all directors confirmed that they have complied with the required standard as set out in the Model Code throughout the reporting period.

Further explanations are set out in the Corporate Governance Report as contained in the Company's annual report.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board proposed the declaration of a final dividend of HK5.8 cents per share (2008: HK6.0 cents per share) in cash, together with a special dividend of HK3.0 cents per share (2008: nil) in cash for the year ended 31 March 2009, which are expected to be paid on 16 October 2009 to shareholders whose names appear on the Register of Members of the Company as at 7 August 2009, subject to shareholders' approval in the forthcoming annual general meeting. Together with the interim dividend of HK5.0 cents per share (2008: HKD2.3 cents per share) paid, this will bring the total dividend distribution for the year to HK13.8 cents per share (2008: HK8.3 cents per share).

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 4 August 2009 to 7 August 2009, both days inclusive, during which no transfer of shares will be effected. All transfers of shares accompanied by relevant share certificate must be lodged with the Company's Branch Share Registrars, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road, Wanchai, Hong Kong not later than 4:00p.m. on 3 August 2009 in order to qualify for the final dividend and special dividend.

EMPLOYEES AND REMUNERATION POLICY

During the year, the Group continuously recruited more talents and enhanced their training. The sound development of the Group attracts professionals from around the world. Furthermore, because of the Group's acquisition of Wealthy King Group and Amber, the number of employees further increased. The Board placed great emphasis on the career development of new comers and provides them ample space for growth. Meanwhile, we provide them with competitive remuneration as compared with the existing market condition.

As at 31 March 2009, the Group employed a total of 1,245 employees in the PRC, Hong Kong and Germany, representing an increase of approximately 22% or 225 employees from 1,020 employees of last year. The labour cost of the year amounted to HKD144,577,000, representing an increase of 35.8% or HKD38,129,000 from HKD106,448,000 for the previous year. The increase of labour cost was mainly due to the increase in the number of employees and due to the employment of high quality management and technical talents.

To upgrade the Group to the international standard in terms of technology and management, the Group highly values the stability of the employees and has continuously enhanced the employees' initiatives and creativity. To that end, the Group provides its employees with competitive remunerations, pensions contribution schemes and other fringe benefits, and grants awards to the employees based on their performance. The Group's share option scheme is also in position to reward employees (including directors) who have made significant contributions to the business development of the Group. The Group granted a total of 10,400,000 share options again to two executive directors. Including the share options granted in past 2 years, the Group has granted a total of 155,500,000 share options to 79 employees (including directors). The Group cherishes its people and endeavours to provide its employees with a good operational system and sound working environment for their better growth and development, guide them towards common values, encourage innovation and cooperation, and provide them with diversified training programs to upgrade their qualifications, thereby achieving mutual growth of both the employees and the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

DIRECTORS' BUSINESSES COMPETING WITH THOSE OF THE COMPANY

During the reporting period, Ms. Chu has acquired controlling equity interests in an enterprise which is located in the Republic of Botswana in Southern Africa and is engaged in the manufacturing and sale of natural extracts, an upstream raw material in flavour and fragrance sector. During the reporting period, the amount of sale from the enterprise to the Company was approximately HK$12.4 million. (Please refer to the announcement of the Company dated 4 November 2008 relating to the details of such continuing connected transaction between the enterprise and the Company.) Although the business of the enterprise does not complete with the business of the Company in strict sense, Ms. Chu chooses to comply voluntarily with the non-competition undertaking provided by her to the Company under the agreement relating to the acquisition of Chemactive Investments Limited dated 7 June 2006 and pursuant to which, Ms. Chu undertook to the Company that the Company shall have the right to acquire such equity interests at any time (at fair and reasonable price, terms and conditions) and pre-emptive right (on terms not less favourable than those offered to third parties by Ms. Chu), subject to the compliance of relevant requirements under the Listing Rules.

Save as disclosed above, none of the Directors and his/her respective associates was considered to have an interest in a business which completes or is likely to complete with the business of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company was established in June 2002 and currently comprises three independent non-executive directors, namely Mr. MAK Kin Kwong, Peter, Ms. MA Yun Yan and Mr. LEE Luk Shiu. The Audit Committee possesses a wealth of experience and expertise including accounting profession, legal profession and regulatory experience both in Hong Kong and China.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the Group's audited annual results for the year ended 31 March 2009.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.huabao.com.hk). The 2008-09 annual report containing all the information required by the Listing Rules will be dispatched to shareholders and will be published on the aforementioned websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises six executive directors, namely Ms. CHU Lam Yiu (Chairman), Mr. LAU Chi Tak (Chief Executive Officer), Mr. POON Chiu Kwok, Mr. WANG Guang Yu, Mr. XIA Li Qun, Mr. XIONG Qing, and three independent non-executive directors, namely Mr. MAK Kin Kwong, Peter, Ms. MA Yun Yan and Mr. LEE Luk Shiu.

By Order of the Board
CHU Lam Yiu
Chairman

Hong Kong, 18 June 2009