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 2010

FINANCIAL HIGHLIGHTS

- Sales increased by approximately 22.1% to HK$2,366,403,000
- Operating profit increased by approximately 26.9% to HK$1,516,689,000
- Profit attributable to the equity holders of the Company increased by approximately 20.7% to HK$1,340,085,000
- Net cash generated from operating activities increased by approximately 24.8% to HK$1,385,960,000
- Dividends for the whole year amounted to HK21.08 cents per share, representing a substantial increase of 53% over that of last year

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

- Sales increased to HK$2,366 million for the current year from about HK$779 million for the year ended 31 March 2006 with a compound annual growth rate ("CAGR") of approximately 32.0%
- Profit attributable to the equity holders of the Company increased to HK$1,340 million for the current year from HK$283 million for the year ended 31 March 2006 with a CAGR of approximately 47.5%
- Diluted earnings per share increased to HK42.58 cents for the current year from HK9.53 cents for the year ended 31 March 2006 with a CAGR of approximately 45.4%
- Net cash generated from operating activities increased to HK$1,386 million for the current year from HK$320 million for the year ended 31 March 2006 with a CAGR of approximately 44.3%

* *For identification purpose only*

HK$'000	For the year ended 31 March **2010**	 2009 Restated	Growth
Sales	**2,366,403**	1,938,443	+22.1%
Gross profit	**1,786,835**	1,462,515	+22.2%
Operating profit	**1,516,689**	1,195,452	+26.9%
EBIT ratio	**64.1%**	61.7%	
Profit before income tax	**1,531,649**	1,207,499	+26.8%
Profit attributable to the equity holders of the Company	**1,340,085**	1,110,324	+20.7%
Net cash generated from operating activities	**1,385,960**	1,110,736	+24.8%
Earnings per share			
– Basic	**43.15 HK cents**	36.08 HK cents	+19.6%
– Diluted	**42.58 HK cents**	35.62 HK cents	+19.5%
Interim and final dividends per share *(note 9)*	**12.78 HK cents**	10.80 HK cents	+18.3%
Special dividend per share for the whole year *(note 9)*	**8.30 HK cents**	3.00 HK cents	+176.7%
Dividend payout ratio	**49%**	38%	

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 2010 with comparative figures.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 March **2010** *HK$'000*	2009 *HK$'000* Restated
Sales	*3*	**2,366,403**	1,938,443
Cost of goods sold	*4*	**(579,568)**	(475,928)
Gross profit		**1,786,835**	1,462,515
Other income	*5*	**36,237**	36,206
Selling and marketing expenses	*4*	**(73,057)**	(78,984)
Administrative expenses	*4*	**(233,326)**	(224,285)
Operating profit		**1,516,689**	1,195,452
Finance income		**15,761**	19,555
Finance costs		**(1,508)**	(7,934)
Finance income – net	*6*	**14,253**	11,621
Share of profit of associates		**707**	426
Profit before income tax		**1,531,649**	1,207,499
Income tax expense	*7*	**(162,236)**	(82,157)
Profit for the year		**1,369,413**	1,125,342
Attributable to:			
Equity holders of the Company		**1,340,085**	1,110,324
Minority interest		**29,328**	15,018
		1,369,413	1,125,342
Earnings per share for profit attributable to the equity holders of the Company for the year (expressed in HK cents per share)			
– Basic	*8(a)*	**43.15**	36.08
– Diluted	*8(b)*	**42.58**	35.62
Interim and final dividends	*9*	**399,603**	333,831
Special dividends	*9*	**259,570**	92,964
		659,173	426,795

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
		Restated
Profit for the year	**1,369,413**	1,125,342
Other comprehensive income:		
Exchange differences on translating foreign operations	**13,174**	52,475
Total comprehensive income for the year, net of tax	**1,382,587**	1,177,817
Total comprehensive income attributable to:		
Equity holders of the Company	**1,352,907**	1,160,167
Minority interest	**29,680**	17,650
	1,382,587	1,177,817

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2010 HK$'000	2009 HK$'000 Restated
ASSETS			
Non-current assets			
Property, plant and equipment		**301,798**	289,849
Land use rights		**67,684**	58,515
Intangible assets		**1,602,659**	1,507,151
Investments in associates		**6,236**	9,233
Deferred income tax assets		**50,544**	31,055
		2,028,921	1,895,803
Current assets			
Inventories		**235,294**	211,820
Trade and other receivables	*10*	**660,117**	531,298
Short-term time deposits		**230,886**	–
Cash and cash equivalents		**1,678,640**	1,126,735
		2,804,937	1,869,853
Total assets		**4,833,858**	3,765,656
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**312,882**	308,480
Reserves		**410,403**	248,458
Retained earnings			
– Proposed final dividend		**212,134**	179,731
– Proposed special dividend		**172,085**	92,964
– Others		**2,682,600**	2,006,184
		3,790,104	2,835,817
Minority interest		**128,103**	93,789
Total equity		**3,918,207**	2,929,606
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**108,870**	93,813
Current liabilities			
Short-term borrowings		**250,236**	–
Trade and other payables	*11*	**486,242**	702,243
Current income tax liabilities		**70,303**	39,994
		806,781	742,237
Total liabilities		**915,651**	836,050
Total equity and liabilities		**4,833,858**	3,765,656
Net current assets		**1,998,156**	1,127,616
Total assets less current liabilities		**4,027,077**	3,023,419

Notes:

1. Pursuant to an acquisition agreement dated 20 November 2009, the Company acquired Faraway International Limited and Long State International Limited and their subsidiary ("F&G Group") from Ms. Chu Lam Yiu ("Ms. Chu") (the "Acquisition") at a consideration of HK$29,267,000, satisfied by cash payment. The Acquisition was a connected 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 announcement dated 20 November 2009 issued by the Company. The Acquisition was completed on 30 November 2009.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

(a) Application of merger accounting

Since the Company and F&G 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 HKICPA.

As Ms. Chu's control of F&G Group commenced on 6 October 2008, the consolidated financial statements of the Group as at 31 March 2009 have been restated.

(b) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2009 and are relevant to the Group:

HKAS 1 (revised)	"Presentation of Financial Statements"
HKFRS 2 (amendment)	"Share-based payment"
HKFRS 7 (amendment)	"Financial instruments: disclosures"
HKFRS 8	"Operating Segments"

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2010 or later periods, but the Group has not early adopted them:

HKAS 1 (amendment)	"Presentation of financial statements"
HKAS 27 (revised)	"Consolidated and separate financial statements"
HKAS 38 (amendment)	"Intangible assets"
HKFRS 2 (amendment)	"Group cash-settled share-based payment transactions"
HKFRS 3 (revised)	"Business combinations"
HKFRS 5 (amendment)	"Measurement of non-current assets (for disposal groups) classified as held for sale"
HKFRS 9	"Financial instruments"

3. TURNOVER AND SEGMENT INFORMATION

The Group has reassessed its operations and organized them into two main operating segments:

(1) Flavours; and

(2) Fragrances.

The chief operating decision-makers have been identified as the executive directors (the "Executive Directors"). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the business from the operation perspective and assess the performance of flavours and fragrances segments. Flavours include research and development, production and sale of flavours products. Fragrances include research and development, production and sale of fragrances products. The Executive Directors assesses the performance of the operating segments based on a measure of operating profit.

The segment information for the year ended 31 March 2010 is presented below.

	Year ended 31 March 2010				
	Flavours	**Fragrances**	**Total segments**	**Corporate**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Total turnover	**2,291,077**	**75,499**	**2,366,576**	**–**	**2,366,576**
Inter-segment sales	**(167)**	**(6)**	**(173)**	**–**	**(173)**
Net turnover/Segment sales	**2,290,910**	**75,493**	**2,366,403**	**–**	**2,366,403**
Segment result	**1,519,994**	**18,669**	**1,538,663**	**(21,974)**	**1,516,689**
Finance income					**15,761**
Finance costs					**(1,508)**
Finance income – net					**14,253**
Share of profit of associates					**707**
Profit before income tax					**1,531,649**
Income tax expense					**(162,236)**
Profit for the year					**1,369,413**
Other segment items					
Depreciation	**29,934**	**1,486**	**31,420**	**41**	**31,461**
Amortization	**27,280**	**769**	**28,049**	**–**	**28,049**
Capital expenditure	**168,966**	**949**	**169,915**	**5**	**169,920**

	As at 31 March 2010				
	Flavours	**Fragrances**	**Total segments**	**Corporate**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**4,638,964**	**156,316**	**4,795,280**	**38,578**	**4,833,858**

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

	Year ended 31 March 2009				
	Flavours	Fragrances	Total segments	Corporate	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total turnover	1,883,984	55,748	1,939,732	–	1,939,732
Inter-segment sales	(1,289)	–	(1,289)	–	(1,289)
Net turnover/Segment sales	1,882,695	55,748	1,938,443	–	1,938,443
Segment result	1,227,421	13,413	1,240,834	(45,382)	1,195,452
Finance income					19,555
Finance costs					(7,934)
Finance income – net					11,621
Share of profit of associates					426
Profit before income tax					1,207,499
Income tax expense					(82,157)
Profit for the year					1,125,342
Other segment items					
Depreciation	27,988	766	28,754	44	28,798
Amortization	26,409	678	27,087	–	27,087
Capital expenditure	860,772	92,794	953,566	54	953,620

	As at 31 March 2009				
	Flavours	Fragrances	Total segments	Corporate	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	3,617,448	135,610	3,753,058	12,598	3,765,656

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	
	2010	2009
	HK$'000	*HK$'000*
Depreciation, excluding amounts included in research and development	**25,417**	23,638
Amortization	**28,049**	27,087
Changes in inventories of finished goods and work in progress	**(7,860)**	(21,488)
Raw materials and consumables used	**527,615**	457,777
Provision/(Reversal of) for impairment for trade receivables	**119**	(62)
Lease rentals	**4,106**	4,954
Auditor's remuneration	**5,457**	6,269
Travelling expenses	**20,060**	18,562
Entertainment expenses	**19,401**	17,176
Employee benefit expenses, excluding share option compensation expenses and amounts included in research and development	**83,063**	82,558
Share option compensation expenses	**12,605**	30,889
Research and development		
– Employee benefit expenses	**32,829**	31,234
– Depreciation	**6,044**	5,160
– Others	**44,198**	15,274
Delivery expenses	**18,743**	19,103
Utilities	**13,309**	12,352
Motor vehicle expenses	**8,016**	6,956
Others	**44,780**	41,758
Total cost of goods sold, selling and marketing expenses and administrative expenses	**885,951**	779,197

5. OTHER INCOME

	Year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Sales of raw materials	**808**	761
Government grants	**30,751**	20,295
Exchange gain – net	**1,924**	13,832
Gain on disposal of an associate	**740**	–
Others	**2,014**	1,318
	36,237	36,206

6. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Interest income on bank deposits	**15,761**	19,555
Interest expenses	**(1,508)**	(7,934)
Finance income – net	**14,253**	11,621

7. INCOME TAX EXPENSE

		Year ended 31 March	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Current income tax			
– Hong Kong profits tax	*7(a)*	**13,742**	–
– PRC corporate income tax	*7(b)*	**159,965**	66,928
– Botswana company income tax	*7(c)*	**532**	–
Deferred income tax assets		**(19,341)**	(14,709)
Deferred income tax liabilities		**7,338**	29,938
		162,236	82,157

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

(b) 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.

(c) Botswana company income tax has been provided at the rate of 15% (2009: 15%) on the estimated assessable profit for the year.

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

8. 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	
	2010	2009
Profit attributable to equity holders of the Company *(HK$'000)*	**1,340,085**	1,110,324
Weighted average number of ordinary shares in issue *('000)*	**3,105,873**	3,077,276
Basic earnings per share *(HK cents per share)*	**43.15**	36.08

(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 2010, the Company has one type of dilutive potential ordinary shares i.e. share options.

As for 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	
	2010	2009
Profit attributable to equity holders of the Company *(HK$'000)*	**1,340,085**	1,110,324
Weighted average number of ordinary shares used to calculate basic earnings per share *('000)*	**3,105,873**	3,077,276
Adjustment for – exercise of share options *('000)*	**41,250**	40,105
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**3,147,123**	3,117,381
Diluted earnings per share *(HK cents per share)*	**42.58**	35.62

9. DIVIDENDS

	Year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Interim dividend paid of HK6.0 cents (2009: HK5.0 cents) per share	**187,469**	154,100
Proposed final dividend of HK6.78 cents (2009: HK5.8 cents) per share	**212,134**	179,731
	399,603	333,831
Special dividend paid of HK2.8 cents (2009: nil) per share	**87,485**	–
Proposed special dividend of HK5.5 cents (2009: HK3.0 cents) per share	**172,085**	92,964
	259,570	92,964
	659,173	426,795

During the year ended 31 March 2010, an interim and a special dividend of HK$187,469,000 (HK6.0 cents per share) (2009: HK5.0 cents per share) and HK$87,485,000 (HK2.8 cents per share) (2009: nil) have been paid by the Company respectively. A final dividend of HK6.78 cents per share (2009: HK5.8 cents per share), HK$212,134,000 in aggregate (2009: HK$179,731,000), together with a special dividend of HK5.5 cents per share (2009: HK3.0 cents per share), HK$172,085,000 in aggregate (2009: HK$92,964,000), were proposed at the meeting of the Board held on 18 June 2010 which are subject to the shareholders' approval in the forthcoming annual general meeting. These consolidated financial statements do not reflect these as dividends payable.

10. TRADE AND OTHER RECEIVABLES

		As at 31 March	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Trade receivables	*10(b)*	**519,895**	409,285
Less: Provision for impairment of receivables		**(2,215)**	(1,989)
Trade receivables – net		**517,680**	407,296
Note receivables		**89,487**	85,766
Prepayments and other receivables		**36,727**	24,508
Advances to staff		**4,404**	4,439
Others		**11,819**	9,289
		660,117	531,298

(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 (including amounts due from related parties which are trade in nature) as at the balance sheet dates is as follows:

	As at 31 March	
	2010	2009
	HK$'000	*HK$'000*
0 – 90 days	**457,936**	339,187
91 – 180 days	**44,546**	49,836
181 – 360 days	**10,535**	10,644
Over 360 days	**6,878**	9,618
	519,895	409,285

11. TRADE AND OTHER PAYABLES

		As at 31 March	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Trade payables	*11(a)*	**237,303**	151,251
Non-trade payables to related parties		**133,985**	488,994
Wages payable		**8,913**	7,671
Other taxes payable		**42,153**	10,850
Accrued expenses		**4,732**	5,280
Customer advance payment		**1,915**	10,860
Other payables		**57,241**	27,337
		486,242	702,243

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	
	2010	2009
	HK$'000	*HK$'000*
0 – 90 days	**185,073**	112,843
91 – 180 days	**33,744**	19,232
181 – 360 days	**1,094**	6,532
Over 360 days	**17,392**	12,644
	237,303	151,251

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2010, sales revenue of the Group increased by approximately 22.1% to approximately HK$2,366 million, out-performing the management's expected growth target; gross profit margin remained stable at 75.5%; EBIT margin reached approximately 64.1%, elevated by approximately 2.4 percentage points from last year; profit attributable to equity holders was approximately HK$1,340 million, representing an increase of approximately 20.7%; and basic earnings per share was approximately HK43.15 cents, representing an increase of about 19.6%. All of these representing an excellent operating results.

MERGER AND ACQUISITION ("M&A")

Acquisition of Maoming Kebi Flavour & Fragrance Limited ("Maoming Kebi") – continuous consolidation of tobacco flavours industry

In August 2009, the Group acquired 100% equity interest in Maoming Kebi from independent third parties at a consideration of approximately HK$117,209,000. Maoming Kebi is a medium-sized tobacco flavours supplier in the PRC and its customer is China Tobacco Zhejiang. As the products that Maoming Kebi supplies to its customer can be highly integrated with the existing products provided to the same customer by the Group, the acquisition of Maoming Kebi will further increase the Group's market share of key customers, which is in line with the Group's "Big Customers, Big Brands" development strategy.

As one of the terms of the transaction, the vendor guaranteed sales revenue (inclusive of value-added tax) of not less than RMB50 million in the next 12 months (i.e. from August 2009 to July 2010). For the eight months ended 31 March 2010, Maoming Kebi's unaudited sales revenue (net of value-added tax) amounted to approximately HK$34.02 million, while its profit after tax reached approximately HK$17.96 million, which met with the management's expectations.

Completed the acquisition of F&G Group – established the first overseas raw materials base

In November 2009, the Group entered into an acquisition agreement with Chairman Ms. Chu to acquire 100% equity interest in F&G Group at a consideration of HK$29,267,000 based on F&G Group's net asset value. F&G (Botswana) (Proprietary) Limited ("F&G") is located in the Republic of Botswana in southern Africa and is engaged in the production and sales of natural extracts. The acquisition was an integral part of the Group's strategy of constructing an integrated core value chain, under which F&G will work together with the Group in the future business development of new cigarette materials and the development of new products primarily made of natural materials so as to capture the enormous business opportunities in the Chinese tobacco industry arising from the policy of lowering of tar content and harm reduction.

Equity investment in Qingdao Qingda Product Co., Inc. ("Qingdao Qingda") – aggressive development of the upstream natural materials and food ingredients business

In March 2010, the Group subscribed for 51% controlling stake in Qingdao Qingda at a consideration of approximately HK$11.60 million from independent third parties by way of injecting additional capital. Qingdao Qingda is a professional natural extracts producer in PRC, currently its major products are various natural pepper essences, which have development potential in the domestic and overseas markets. Its customers include Japan's Ikeda Corporation and

McCormick, etc. After this investment, the Group's capability in natural spices extraction is further enhanced. The management believes the equity investment in Qindao Qingda is part of the Group's strategic planning for constructing an integrated core value chain, and will help accelerate the Group's development in the savory flavours and food ingredients segment.

BUSINESS REVIEW

Review of Flavours Business

1. Review of operating results

For the year ended 31 March 2010, sales revenue of the flavours business amounted to HK$2,290,910,000, representing an increase of about 21.7% from the corresponding period last year and maintaining a speedy growth momentum. The EBIT ratio of the flavours segment was 66.3%, representing an increase of 1.1 percentage points as compared to 65.2% for the corresponding period last year. The continuous rapid growth in the flavours business was primarily attributable to the ongoing rapid rise in the demand from tobacco customers and the speedy development in the food and beverage business. The increase in operating profit margin was primarily attributable to the rapid growth in the tobacco flavours business and the fast organic growth in the food and beverage flavours businesses, and enabled the Group to achieve economies of scale.

The Group continued to apply the "Big Customers, Big Brands" development strategy by establishing long-term working relationships with the majority of domestic tobacco enterprises and by providing customers with comprehensive technical services, making itself a dominant player in the flavours market for high-quality domestic cigarettes. In recent years, the Group has been growing rapidly along with its customers and steadily increasing its market share. During the year, the Group acquired 100% equity interest of Maoming Kebi from independent third parties, further increasing the Group's market share of certain key customers and brands. Currently, the integration of Maoming Kebi is progressing smoothly. The management expects the acquisition will generate good returns for the shareholders.

For flavours used in food and beverages, the Group continued to develop natural and healthy innovative products that fitted local tastes, offered comprehensive technology value-added services for the development of key direct sales customers, and implemented an overall strategy by fully leveraging its strengths in having a nationwide network for the development of local small- and medium-sized customers. After several years of rapid development, the Group has become one of the largest local flavours and fragrances providers in China. Regarding the product mix, on the foundation of the two traditional lines, namely sweet and savory series, the Group has been heavily developing the area of food ingredients with a localized taste profile. The results have been obvious and achieved rapid growth.

2. *Recent developments and prospects of the downstream sectors*

a. *Recent developments in the tobacco industry*

China is the world's largest cigarettes consumption country, accounting for approximately one-third of the total annual consumption in the world. China has approximately 350 million smokers, consuming over 2.2 trillion sticks of cigarette each year. In recent years, China's tobacco industry has been growing steadily and reflected several characteristics:

Firstly, the total sales volume of the tobacco industry has maintained a steady growth at an annual CAGR of around 4% since 2002;

Secondly, Chinese style cigarettes made up a substantial proportion of the total consumption, while imported cigarettes only accounted for approximately 0.1% of the market share in the PRC over the previous years (Source: Euromonitor);

Thirdly, with the steady improvement in the living standards of Chinese residents, the demand for high-end consumer products has been growing gradually, CAGR of sales in the tobacco industry has remained at approximately 8% since 2002. Of these sales, there is a rapid increase in the demand for middle to high-end premium cigarettes;

Fourthly, the tobacco industry continues to play a significant role in the Chinese economy, contributing industrial and commercial profit tax of approximately RMB513.1 billion in 2009, and representing an increase of approximately 14.3% from RMB449.1 billion of the previous year.

b. *Tobacco industry will enter into the post-consolidation era*

The Chinese tobacco industry has entered into the era of consolidation since 2005. In 2008, the consolidation evolved into a new stage in which cross-provincial and large scale industrial restructuring took place and brand concentration enhanced substantially. The market share of the top ten brands in terms of sales volume has increased by more than 50% over the past five years, and the top ten brands in terms of sales revenue have posted a double-digit rapid growth in CAGR. For example, the sales volume of Zhonghua cigarettes has doubled over the past few years. The China National Tobacco Corporation has precisely proposed that the quality of cigarettes must attain a higher standard and that key brands will be further cultivated. The "532" and "461" targets were set as the direction of development for tobacco brands under the next five-year plan. Brand concentration will be further improved to build up more than ten world-class brands of cigarettes. "532" means to have 5 major cigarette brands producing over 2 million master cases each per year, 3 major brands producing over 3 million master cases each, and 2 substantially bigger brands producing over 5 million master cases each. "461" means to have 6 major cigarette brands achieving over RMB40 billion in sales revenue each per year, 4 major brands achieving over RMB60 billion each, and 1 substantially bigger brand achieving over RMB100 billion. (Sources for the above: TobaccoChina Online). Based on the above, we believe that China's tobacco industry will enter into a post-consolidation era, giving rise to higher degree of concentration in the industry.

c. The State sets new standards for tar content in the next five years

It is apparent that Chinese style cigarettes contain a relatively higher level of tar content than the standards prescribed by developed countries. In 2009, the average tar content per cigarette in China was approximately 12.1 mg, while the tar content of major cigarette brands in Europe and US was normally below 8 mg per cigarette and that of major cigarette brands in Japan was below 5 mg per cigarette. The Chinese Government introduced new regulations governing tar content in 2010, under which the tar content per cigarette shall not exceed 12 mg from 1 January 2011, and shall be further reduced to less than 10 mg from 1 January 2015 (sources: Tobacco Science & Technology). The management believes that following the development trend of healthier Chinese style cigarettes and new products, there will be more new cigarette materials used in products gradually. The new cigarette materials business will become the Group's potential room for development.

d. New food safety law raises industry thresholds

The new Food Safety Law of the People's Republic of China was promulgated in June 2009, setting out higher requirements for all players in the food industry and further raising the industry thresholds. The Group has always been rigid about product quality and food safety. All major subsidiaries of the Group have obtained quality certifications from both domestic and international institutions. In recent years, the Group has increased spending and efforts on establishing and implementing a set of stringent control procedures as an aggressive move to align with the high international standards. A set of strict quality control system for raw materials procurement, production and finished products has been set up. We expect a higher degree of concentration in the food and beverage industry and its related sectors in the future. As a local leading flavours and fragrances company, we believe there will be broader space for development of the Group in the future.

e. Localized, natural and healthy tastes of food and beverages are becoming the main theme

The Chinese consumer products sector is advancing to a higher level, characterized by higher product quality demand from consumers. We expect Chinese consumers' demand for localized, natural and healthy tastes of food and beverages is becoming the main theme. The Group has focused its research and development ("R&D") efforts and emphasized the contemporary needs of "natural, healthy, trendy and classic", successfully developed several new products and has achieved good results. Looking forward, the Group will expand the upstream natural materials sector to further enhance the competitiveness of our products.

3. *Development strategy for the flavours business*

a. Tobacco sector

– To continuously pursue the "Big Customers, Big Brands" development strategy and capitalize on the industry consolidation to capture greater market share;

– To further step up technological exchange and cooperation with leading players in the tobacco industry, seize the opportunity from the lowering of tar content and harm reduction as well as constantly explore new ideas and launch new products;

– To continue the consolidation of the tobacco flavours industry via M&As so as to maintain the Group's strategic position in the sector.

b. Food and beverage sector

– To continue carrying out the two-thronged approach of distribution and direct sales, further consolidate and improve the distribution network as well as fully utilize the market recognition and network advantages of "Kongque" brand;

– To focus on developing direct sales, foster key customers in the industry, establish all-round working relationship and strive to secure an ongoing rapid growth in the business with major direct sales customers;

– To accelerate the development of savory flavours and to provide local customers in the food and beverage industry and catering industry with more personalized products based on high standards, specialization and localization;

– To increase spending on R&D and bring in international top-notch R&D personnel continuously to upgrade the R&D standards of our products;

– To ensure food safety and prevent food hazards by focusing on food security, and to seize business opportunities in this aspect;

– To monitor industry development, seek opportunity to carry out M&As, establish an integrated value chain and accelerate the development of the upstream natural materials and downstream food ingredients business.

Review of Fragrances Business

1. *Business review*

In May 2008, the Group successfully acquired 51% equity interests in Xiamen Amber Fragrances Co., Ltd. ("Amber") and entered into the fragrances industry. Upon acquisition, the Group carried out comprehensive integration of Amber. Amber out-ranked thousands of small to medium sized enterprises and won the title of "The Most Potential SME" during the year. In addition, following the honorable recognition as a well-known trademark in Xiamen, "Amber" was recognized as a famous trademark in Fujian province. This symbolized that the brand construction of Amber has reached a new stage. Amber elevated its reputation by participated in the likes of the 14th "China Beauty Expo" during the year. Amber conferred with famous daily chemical enterprises in the Pearl River Delta and Yangtze River Delta area to get a better understanding of each other and established a positive corporate image, laying a solid foundation for the future cooperation with key customers in the fragrance business. In addition, Amber was granted the title of "High-tech Enterprise". Other than demonstrating the consolidation ability of the Group, these outstanding performances also boosted the overall competitiveness of Amber.

For the year ended 31 March 2010, sales revenue from Amber amounted to HK$75,493,000, increased by approximately 35.4% from the previous year, and operating profit amounted to HK$18,669,000, increased by approximately 39.2% from the previous year. EBIT margin reached 24.7%, which maintained a steady growth. Through the integration of Amber, the Group has recognised a robust growth in revenue and operating efficiency was highly elevated.

Amber is dedicated to establishing good partnerships with a batch of quality and renowned customers in the Chinese market, such as Liby (立白), Lanju (欖菊), Lonkey (浪奇), Sanxiao (三笑), Rainbow Group (彩虹集團), Ador (雅黛) and some domestic leading daily chemicals manufacturers. For the year ended 31 March 2010, Amber has developed more than 70 new products and made major breakthroughs in fragrances used in fresheners, detergents, perfumed soaps and personal care products.

2. Development strategy for the fragrances business

– To fully utilize Amber as a platform and the robust composite R&D capability of the Group's State-recognized technology centre and overseas R&D centre, specialize in expanding and developing localized products and business, establish a foothold in the field of aromatic and detergent products, and step up the development of new products such as shampoo, foam bath and air fresheners as well as the penetration of new customers;

– To capitalize on the relatively high regional concentration of the PRC fragrances market, set a foothold in Xiamen and further expand into the key markets in the Pearl River Delta and Yangtze River Delta to further enhance the size and strength of the Group;

– To seek opportunities for M&As and identify the right opportunity to acquire and merge with those enterprises whose products and markets are complementary with the Group so as to further enhance the size and strength of the Group.

Review of R&D

The R&D capability of a flavours and fragrances company reflects its overall strength. After continuous investment, the Group has set up a leading R&D team which is top-notch in China and up to international standards. The State-recognized technology centre, 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 in areas ranging from fundamental researches to applications. The R&D strategy of the Group is market-driven so as to closely follow the latest global industry trends and to accelerate the mastering of technologies in key raw materials. With such strengths, the Group is able to develop products and technologies that meet market demands, deliver comprehensive technical services to customers and remain dedicated to maximizing value for clients, while the Group's overall competitiveness is greatly elevated.

Future Business Development Plans

New materials for cigarettes

New materials for cigarette refer to the application of advanced technology to re-utilize some of the residues created during tobacco processing such as sesame chips, fragments and leaf stems, in order to reduce the tar content in cigarettes, stabilize cigarette taste and lower production costs. After nearly 20 years of development, new materials for cigarettes have been widely applied in the global tobacco industry. Based on the analysis on the current mainland tobacco industry, the management expects new materials for cigarettes will have very broad development potential in the coming cycle primarily due to the fact that lowering of tar content for harm reduction will have an impact on the quality of tobacco products, the structural imbalance between the persistent rapid rise in the market demand for high-end Chinese style cigarettes as well as the supply of upstream materials, etc.

Several years ago, Huabao has already aimed at this potentially huge market and initiated its strategic planning and positioning in China's future market for new cigarette materials. Proceeding aggressively with the upstream materials, team building, research projects, pre-stage pilot schemes and so forth, Huabao has made a breakthrough progress in reducing tar content and harm over the past several years. It has employed the core technology in tobacco flavours as a good starting point, and having mastered customer resources by means of the successful implementation of the "Big Customers, Big Brands" strategy over the years, supplemented by the availability of unique overseas upstream raw material resources. All of these have established the stronger core competitiveness of Huabao. The management is confident in developing the new cigarette materials into one of the new strong growth drivers in the next several years. During the year, the Group established the joint-venture company, Yunnan Qing Tian Xiang Keji Fazhan Co., Ltd., which will be focused on developing new cigarette materials; the commencement of such project symbolizes the Group's inception into such area and implementation stage.

Food ingredients

We note that the quickened pace of life and consumers' ongoing pursuit of quality lifestyle will trigger a new round of revolution in cooking methods in the Chinese catering industry. A new breed of more natural, safer, and faster composite cooking seasonings are anticipated to become the trend and should hold enormous space for development in the food ingredients area in the future. Huabao has identified this historic opportunity for development and is determined to become an expert in the quality of service in the Chinese fast food industry. Over the past several years, the strategic planning was basically completed by moving into the food sector with the acquisition of Shanghai H&K Flavours & Fragrances Company Limited, followed by the success of Guangzhou Huabao Flavours & Fragrance Company Limited in the separation of sweet and savory products. As one of the top ten local food flavours companies in the PRC, Huabao has established advantages in terms of research team, product development and distribution channel. Last year, the Group launched the products of "Hanfo Cooking Secret" in Yunnan, Guizhou, Sichuan and Chongqing provinces, applying traditional Sichuan taste as an entry point in the fast food industry, which was well-received in the market. This year, the Group's new Muslim food ingredients line will commence production, its target market is mainland China and Southeast Asia regions. The management is confident in developing the food ingredients into one of the strong growth drivers of Huabao in the next several years.

Aromatic raw materials business

Raw materials are one of the core competitive edges of flavours and fragrances enterprises. Huabao has always been committed to the strategic development of the upstream flavouring materials business to create an integrated core value chain and enhance its overall competitiveness. The Group plans to further develop the flavour materials segment by establishing an international raw materials base and a special high-quality raw materials processing centre, through acquisition in order to obtain certain distinctive raw materials. In 2007, the Group established Wuxi Hua Hai Flavour Co. Ltd. ("Wuxi Huahai") to materialize its own scientific research achievements. Wuxi Huahai, which is engaged in the separation, purification and fine processing of natural fragrance products and Chinese herbal products, contributed to the Group by reducing costs and substantially improving the competitiveness of our products. The Group acquired F&G, the production base in Botswana in southern Africa, in November 2009. The exceptional abundance of local natural resources in Botswana has provided an important support for the upcoming development of new cigarette materials. During the year, the Group subscribed for the controlling stake in Qingdao Qingda for the development of natural spices extracts. Such development is largely in line with the Group's savory flavours and food ingredients business, thus laying a strong foundation for the long-term development of Huabao.

Future Prospects

With a population of 1.4 billion, the Chinese economy is embracing an enormous consumption potential and will soon become the second largest economy in the world. The Chinese consumer products market will continue to grow rapidly in terms of coverage and product quality. With the flavours and fragrances business as its core, the Group will adhere to its "multi-pronged, focus-growth" development strategy by capitalizing on the advantages of our technology, marketing, management and network to provide downstream customers with more personalized products and technical services, and diversifying into new business segments of the future that focuses on new cigarette materials, food ingredients and aromatic raw materials to establish an integrated core value chain. Through organic and M&A development, the Group will grow rapidly into a globally leading player in the flavours and fragrances industry and tasty life.

Our future development strategy remains to seize the great opportunities arising from the Chinese economic development:

- Multi-pronged with focus on flavours and fragrances as core value
- Accelerate the development of flavours business, actively develop fragrances business
- Proactively expand into the new cigarette materials and food ingredients businesses
- Expand upstream aromatic raw materials business and strive to form an integrated core value chain
- Expand through organic growth and M&A
- Leverage on China's market to grow into a globally leading player in the flavours and fragrances industry and tasty life

FINANCIAL REVIEW

Analysis of annual results for the year ended 31 March 2010

Sales revenue

The Group's sales revenue amounted to HK$2,366,403,000 for the year ended 31 March 2010, representing an increase of about 22.1% as compared with HK$1,938,443,000 for the corresponding period last year. The rapid growth in sales revenue was mainly attributable to a substantial increase in the sales of flavours and fragrances. For the year ended 31 March 2010, sales revenue from flavours increased by about 21.7% to HK$2,290,910,000, contributing about 96.8% of total sales revenue, while sales revenue from fragrances increased approximately 35.4% to HK$75,493,000, contributing about 3.2% of total sales revenue.

Cost of goods sold

The Group's cost of goods sold amounted to HK$579,568,000 for the year ended 31 March 2010, representing an increase of about 21.8% as compared with HK$475,928,000 for the corresponding period last year. The percentage increase in cost of goods sold being slightly lower than the percentage increase in sales revenue was mainly attributable to the slight increase in gross profit margin of the Group.

Gross profit and gross profit margin

Gross profit of the Group increased from HK$1,462,515,000 for the year ended 31 March 2009 to HK$1,786,835,000 for the year ended 31 March 2010, representing an increase of about 22.2%, while gross profit margin of the Group slightly increased from 75.4% of last financial year to 75.5% of the current financial year. Gross profit margin continues to remain stable. The remarkable increase in gross profit was mainly attributable to the substantial increase in sales revenue of the Group.

Other income

Other income of the Group was HK$36,237,000 for the year ended 31 March 2010, representing a slight increase of HK$31,000 as compared with HK$36,206,000 for the year ended 31 March 2009. Other income remains stable.

Selling and marketing expenses

The selling and marketing expenses of the Group mainly comprised of traveling expenses, transportation cost, salaries and office expenses. The selling and marketing expenses of the Group for the year ended 31 March 2010 were HK$73,057,000, representing a decrease of about 7.5% as compared with HK$78,984,000 for the corresponding period last year. Selling and marketing expenses to total sales revenue during the years under review amounted to approximately 3.1% and 4.1% respectively, representing a decrease of approximately 1 percentage point. The decrease in the ratio of selling and marketing expenses to total sales revenue was mainly attributable to cost saving, higher efficiency and economies of scale.

Administrative expenses

The Group's administrative expenses amounted to HK$233,326,000 for the year ended 31 March 2010, representing an increase of approximately 4.0% as compared with HK$224,285,000 for the corresponding period last year. Administrative expenses to total sales revenue for the current financial year amounted to approximately 9.9%, representing a decrease of approximately 1.7 percentage points as compared with 11.6% for the corresponding period last year. Among the total sales revenue during the period under review, R&D expenses amounted to approximately 3.5%, an increase of approximately 0.8 percentage point compared with last year. The decrease in the ratio of administrative expenses to total sales revenue was mainly attributable to the higher management efficiency and to aggressively control expenses.

Operating profit

Operating profit of the Group for the year ended 31 March 2010 was HK$1,516,689,000, representing an increase of approximately 26.9% as compared with HK$1,195,452,000 for the corresponding period last year, while the operating profit margin reached 64.1%, increased by 2.4 percentage points comparing with last year. The increase in operating profit margin is mainly attributable to the decrease in selling and marketing expenses.

Income tax expenses

Income tax expenses of the Group for the year ended 31 March 2010 was HK$162,236,000, it was increased substantially as compared with HK$82,157,000 for the corresponding period last year, with the income tax rates were approximately 10.6% and approximately 6.8% respectively. The substantial increase in the income tax expenses was mainly attributable to the growth of the profit and the increase in income tax rate of certain PRC subsidiaries due to their preferential tax periods (two-year exemption and three-year half rate) were expired; the latter represents the main factor in the increase of the income tax rate during this year.

Net current asset value and financial resources

As at 31 March 2010, the net current asset value of the Group was HK$1,998,156,000 (2009: HK$1,127,616,000). The Group generates its working capital mainly through its operating activities to maintain a sound financial position. As at 31 March 2010, the Group had short-term time deposits of HK$230,886,000 (2009: nil). The Group's cash and cash equivalents amounted to HK$1,678,640,000 (2009: HK$1,126,735,000), over 96% of which was held in RMB. The Group neither held any forex hedging products nor structured investment products or financial derivatives.

Bank borrowings and gearing ratio

As at 31 March 2010, the Group had bank borrowings of HK$250,236,000, out of which HK$240,000,000 is clean loan with interest calculated based on HK dollars inter-banks borrowings rate. For the year ended 31 March 2010, the average annual interest rate was 1.63% (2009: nil). All bank borrowings are due within 1 year and the gearing ratio (total borrowings, include current and non-current borrowings, divided by total equity (excludes minority interest)) was about 6.6% (2009: nil).

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 2010, the net cash used in investing activities amounted to HK$357,650,000, mainly incurred for the acquisition of F&G Group and Maoming Kebi, as well as the short-term time deposits. For the year ended 31 March 2009, the net cash used in investing activities amounted to HK$677,953,000.

Financing activities

For the year ended 31 March 2010, the net cash used in financing activities amounted to HK$476,591,000 mainly used for dividend distribution to shareholders and repayment of shareholders' loan. For the year ended 31 March 2009, the net cash used in financing activities amounted to HK$281,930,000.

Debtors' turnover period

Debtors' turnover period is calculated on the basis of the average amount of trade receivables as at the beginning and the end of a relevant financial period divided by the total sales revenue for the corresponding period and multiplied by 360 days. The Group generally offers its customers a credit period of approximately 0-180 days, depending on the business volume of, and the length of business relationship with, the customers. For the year ended 31 March 2010, the Group's average debtors' turnover period was 71 days, representing a decrease of 2 days as compared with 73 days for the last financial year ended 31 March 2009. The debtors' turnover period decreased as a result of enhancing credit management and control measures undertaken by the Group.

Creditors' turnover period

Creditors' turnover period is calculated on the basis of the average amount of trade payables as at the beginning and the end of a relevant financial period divided by the cost of goods sold for the corresponding period and multiplied by 360 days. Credit periods granted by suppliers to the Group ranged from 0-180 days. For the year ended 31 March 2010, the Group's average creditors' turnover period was 121 days, representing an increase of 2 days as compared with 119 days for the last financial year ended 31 March 2009. The creditors' turnover period remains stable.

Inventory and inventory turnover period

As at 31 March 2010, the Group's inventory balance amounted to HK$235,294,000 (2009: HK$211,820,000). For the year ended 31 March 2010, the inventory turnover period (calculated on the basis of the average amount of inventory balances as at the beginning and the end of a relevant financial period divided by the total cost of goods sold for the corresponding period and multiplied by 360 days) was 139 days, representing an increase of 7 days as compared with 132 days for the last financial year. 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 Mainland China and the majority 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.

Pledge of assets

As at 31 March 2010, the secured bank loan of the Group amounts to RMB9 million.

Capital Commitments

As at 31 March 2010, the Group had capital commitments in respect of the purchase of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately HK$4,234,000 (2009: HK$5,671,000).

Contingent liabilities

According to the information available to the Board, the Group had no contingent liabilities as at 31 March 2010.

EMPLOYEES AND REMUNERATION POLICY

The Group remained committed to corporate culture construction and established a clear vision, as well as a common goal for all employees, of combining corporate development and individual growth to achieve common development of the Company and its employees. Adhering to its core value of "client first" for years to maximize client values, the Group also constituted a code of conduct for each employee on the basis of this concept. The Group organized corporate culture promotion activities, including articles and speeches delivered by the management, publication of Huabao Monthly and essay competition. The Group enriched employees' leisure time through various recreational and sports activities including sports contests and outward bound training to reinforce cohesion of Huabao people and their sense of identity.

The Group placed substantial emphasis on talent training. The Group stepped up its efforts in creating a scientific and flexible management environment and institutional mechanism in terms of policy, system and culture development, empowering each employee to make full use of his expertise and specialties and maintaining joint force of its staff to create more values for the Group. The Group established sound training scheme for its reserve talents on the basis of external recruitment. The selection procedures applied to reserve talents include five stages, namely public recommendation and selection, work units review, verification by headquarter, approval and result announcement. Reserve talents management mainly comprises regular inspection, dynamic adjustment, training and profile management. Through its annual examination and assessment on reserve talents, the result of which is to be recorded into personal profile, the Group will promote those with excellent appraisal performance and eliminate those with unsatisfactory results. During inspection period, reserve talents are under direct coaching and supervision of mentors. The Group organized reserve talents selection and review from April to May every year to guarantee healthy and orderly development of reserve talents. The continuous construction of our talent team guarantees new momentum for corporate expansion and development.

The Group established a multi-level comprehensive staff training system, comprising special training program for middle to high level employees, intensive training for reserve talents, as well as business skills and industrial know-how coaching for front-line staff. External experts and internal management and professionals were invited to act as program trainers. Through these successive training programs, the initiatives of employees were mobilized while their professional knowledge and technical competency were enhanced.

As at 31 March 2010, the Group employed a total of 1,316 employees in the PRC, Hong Kong, Germany and Botswana, representing an increase of approximately 5.7% or 71 employees from 1,245 employees of last year. The labour costs of the year amounted to HK$128,497,000, representing a decrease of approximately 11.2% or HK$16,184,000 from HK$144,681,000 for the previous year. The decrease in the labour costs was primarily attributable to the decrease of staff's share option compensation expenses. The Group has launched a share option scheme as an incentive to those employees and directors who have made significant contributions to the business development of the Group. For the period from year 2006 to 2008, the Group granted share options to 79 persons including directors, senior management, technical and business executives.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices (the "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 year 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.

The Board acknowledges its responsibility to maintain a sound internal system of control and considers internal control system and risk management functions are highly essential. The Board considers that the internal controls systems of the Company are in broad effective. Further explanations are set out in the Corporate Governance Report as contained in the Company's annual report.

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 current year.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board proposed the declaration of a final dividend of HK6.78 cents (2009: HK5.8 cents) per share together with a special dividend of HK5.5 cents (2009: HK3.0 cents) per share both in cash, about HK$384 million in aggregate, for the year ended 31 March 2010, which are expected to be paid on or about 18 October 2010 (Monday) to shareholders whose names appear on the Register of Members of the Company as at 5 August 2010 (Thursday), subject to shareholders' approval in the forthcoming annual general meeting to be held on 5 August 2010 (Thursday). Together with the interim dividend and special dividend declared, the total proposed dividend distribution for the year amounted to HK21.08 cents (2009: HK13.8 cents) per share.

CLOSING OF REGISTER OF MEMBERS

Shareholders are reminded that in order to qualify for the proposed final dividend and special dividend and be entitled to attend and vote at the 2010 annual general meeting, the Register of Members of the Company will be closed from 2 August 2010 (Monday) to 5 August 2010 (Thursday), 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 4:30 p.m. on 30 July 2010 (Friday).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS' BUSINESSES COMPETING WITH THE GROUP

None of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which completes or may complete with the business of the Group.

AUDIT COMMITTEE

The Board has formed an audit Committee in accordance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company. The Audit Committee members currently comprises all the independent non-executive directors, namely Mr. MAK Kin Kwong, Ms. MA Yun Yan and Mr. LEE Luk Shiu.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the Group's audited annual results for the year ended 31 March 2010.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of HKExnews (www.hkexnews.hk) as well as the website of the Company (www.huabao.com.hk). The 2009-10 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.

By Order of the Board
CHU Lam Yiu
Chairman

Hong Kong, 18 June 2010

As at the date of this announcement, the Board comprises six Executive Directors, namely Ms. CHU Lam Yiu (Chairman), Mr. LAU Chi Tak (CEO), Mr. POON Chiu Kwok, Mr. WANG Guang Yu, Mr. XIA Liqun, Mr. XIONG Qing, and three Independent Non-executive Directors, namely Mr. MAK Kin Kwong, Ms. MA Yun Yan and Mr. LEE Luk Shiu.