China Flavors and Fragrances Company Limited
中國香精香料有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3318)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

RESULTS

The board of directors (the "Board" or the "Directors") of China Flavors & Fragrances Co., Ltd. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010, together with the comparative figures for 2009.

CONSOLIDATED INCOME STATEMENT
(All amounts in Renminbi thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2010**	2009
Revenue	*3*	**676,541**	589,612
Cost of sales	*4*	**(367,584)**	(333,773)
Gross profit		**308,957**	255,839
Selling and marketing expenses	*4*	**(110,201)**	(88,153)
Administrative expenses	*4*	**(123,516)**	(98,110)
Other gains – net	*5*	**629**	5,276
Operating profit		**75,869**	74,852
Finance income	*6*	**3,362**	3,212
Finance costs	*6*	**62**	(1,248)
Finance income – net		**3,424**	1,964
Share of (loss)/profit of an associate		**(261)**	308
Profit before income tax		**79,032**	77,124
Income tax charge	*7*	**(12,441)**	(13,727)
Profit for the year		**66,591**	63,397
Attributable to:			
Equity holders of the Company		**68,667**	61,064
Non-controlling interests		**(2,076)**	2,333
		66,591	63,397
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share) – basic and diluted	*8*	**0.14**	0.13

Details of dividends to equity holders of the company are set out in Note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Year ended 31 December	
	2010	2009
Profit for the year	**66,591**	63,397
Fair value gains on available-for-sale financial assets	**600**	3,357
Total comprehensive income for the year	**67,191**	66,754
Attributable to:		
Equity holders of the Company	**69,267**	64,421
Non-controlling interests	**(2,076)**	2,333
Total comprehensive income for the year	**67,191**	66,754

CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December **2010**	2009
ASSETS			
Non-current assets			
Land use rights		**72,863**	74,817
Property, plant and equipment		**257,086**	160,682
Intangible assets		**102,604**	137,321
Investment in an associate		**–**	1,756
Available-for-sale financial assets		**27,681**	27,081
Deferred income tax assets	*12*	**8,884**	8,315
		469,118	409,972
Current assets			
Inventories		**127,831**	93,828
Trade and other receivables	*10*	**240,096**	230,788
Pledged bank deposits		**2,673**	–
Short-term bank deposits		**68,541**	26,782
Cash and cash equivalents		**140,474**	190,823
		579,615	542,221
Total assets		**1,048,733**	952,193

	Note	As at 31 December 2010	2009
EQUITY			
Attributable to equity holders of the Company			
Share capital		**50,328**	50,055
Share premium and capital reserve		**376,356**	375,341
Other reserves		**94,815**	85,682
Retained earnings		**303,797**	243,880
		825,296	754,958
Non-controlling interests		**77,871**	79,947
Total equity		**903,167**	834,905
LIABILITIES			
Non-current liabilities			
Deferred government grants		**6,000**	402
Deferred income tax liabilities	*12*	**16,164**	24,566
		22,164	24,968
Current liabilities			
Trade and other payables	*11*	**109,637**	80,328
Current income tax liabilities		**13,765**	9,272
Borrowings		**–**	2,720
		123,402	92,320
Total liabilities		**145,566**	117,288
Total equity and liabilities		**1,048,733**	952,193
Net current assets		**456,213**	449,901
Total assets less current liabilities		**925,331**	859,873

Notes:

1. GENERAL INFORMATION

China Flavors and Fragrances Company Limited (the "Company") and its subsidiaries (together the "Group") manufacture and sell flavors and fragrances in the People's Republic of China (the "PRC"). The Company was incorporated in the Cayman Islands on 9 March 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is: Century Yard, Cricket Square, Hutchins Drive, P.O, Box 2681 GT, George Tower, Grand Cayman, Cayman Islands, British West Indies.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of shares of the Company on 29 October 2004, CFF Holdings Limited ("CFF Holdings"), acquired the entire capital of Shenzhen Guanlida Boton Spice Co., Ltd. (renamed as Shenzhen Boton Spice Co., Ltd. on 7 June 2006, "Shenzhen Boton") for cash consideration from its owners. Subsequently, on 25 November 2005, the Company acquired the entire issued share capital of CFF Holdings, through a share exchange with Creative China Limited ("Creative China"), the owner of CFF Holdings and the holding company of the Company. As a result, the Company became the holding company of the Group and CFF Holdings acts as the intermediate holding company of Shenzhen Boton.

On 9 December 2005, shares of the Company were listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been approved for issue by the board of directors on 18 March 2011.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

New and amended standards adopted by the Group

The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2010. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group or not relevant to the Group's operations:

		Effective for accounting periods beginning on or after
HKAS 17 (Amendment)	Leases	1 July 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HK-Int 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	Immediate effect from 29 November 2010
HKFRSs (Amendments)	First annual improvements project published in October 2008 and second annual improvements project published in May 2009 by HKICPA	1 July 2009
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters	1 January 2010
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	1 January 2010
HK(IFRIC) - Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC) - Int 18	Transfer of assets from customers	1 July 2009

3. SEGMENT INFORMATION

The chief operating decision-markers have been identified as the executive directors of the Company. 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 a product perspective. The Group is organised into four segments:

- Flavors enhancers,
- Food flavors,
- Fine fragrances and
- Extracts.

The chief operating decision-markers assess the performance of the segments based on the profit before income tax or profit for the year as follows.

The segment information for the year ended 31 December 2010 is as follows:

	Flavors enhancers	Food flavors	Fine fragrances	Extracts	Total segments	Unallocated	Total
Segment revenue	325,044	141,248	70,541	141,668	678,501	–	678,501
Inter-segment revenue	–	–	(1,381)	(579)	(1,960)	–	(1,960)
Revenue from external customers	325,044	141,248	69,160	141,089	676,541	–	676,541
Operating profit/(loss)	77,924	26,149	(8,680)	(10,126)	85,267	(9,398)	75,869
Finance income	–	–	437	241	678	2,684	3,362
Finance costs	–	–	–	(180)	(180)	242	62
Finance income – net	–	–	437	61	498	2,926	3,424
Share of loss of an associate	–	–	–	(261)	(261)	–	(261)
Profit/(loss) before income tax	77,924	26,149	(8,243)	(10,326)	85,504	(6,472)	79,032
Income tax charge	(14,731)	(4,277)	1,206	5,361	(12,441)	–	(12,441)
Profit/(loss) for the year	63,193	21,872	(7,037)	(4,965)	73,063	(6,472)	66,591
Depreciation and amortisation	7,362	5,845	2,280	11,394	26,881	307	27,188
(Reversal of provision)/provision for impairment of trade and other receivables	(2,799)	(1,228)	(599)	648	(3,978)	–	(3,978)
Impairment charge of intangible assets	–	–	–	24,289	24,289	–	24,289
Reversal of provision for write-down of inventories	–	–	–	(581)	(581)	–	(581)

The segment information for the year ended 31 December 2009 is as follows:

	Flavors enhancers	Food flavors	Fine fragrances	Extracts	Total segments	Unallocated	Total
Segment revenue	289,310	109,472	56,597	136,788	592,167	–	592,167
Inter-segment revenue	–	–	(2,213)	(342)	(2,555)	–	(2,555)
Revenue from external customers	289,310	109,472	54,384	136,446	589,612	–	589,612
Operating profit/(loss)	69,924	18,468	(12,444)	6,712	82,660	(7,808)	74,852
Finance income	–	–	165	360	525	2,687	3,212
Finance costs	–	–	–	(1,174)	(1,174)	(74)	(1,248)
Finance income – net	–	–	165	(814)	(649)	2,613	1,964
Share of profit of an associate	–	–	–	308	308	–	308
Profit/(loss) before income tax	69,924	18,468	(12,279)	6,206	82,319	(5,195)	77,124
Income tax charge	(9,842)	(2,606)	(2)	(1,277)	(13,727)	–	(13,727)
Profit/(loss) for the year	60,082	15,862	(12,281)	4,929	68,592	(5,195)	63,397
Depreciation and amortisation	7,865	6,693	2,313	11,329	28,200	294	28,494
Provision for impairment of trade and other receivables	500	1,865	3,184	246	5,795	–	5,795
Provision for write-down of inventories	–	–	–	377	377	–	377

Breakdown of revenue is as follows:

	2010	2009
Analysis of revenue by category		
Sales of goods	**668,478**	589,612
Revenue from processing services	**8,063**	–
	676,541	589,612

The result of the Group's revenue from external customers in the PRC for the year ended 31 December 2010 is RMB653,648,000 (2009: RMB532,575,000), and the total revenue from external customers from other countries is RMB22,893,000 (2009: RMB57,037,000).

4. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	2010	2009
Depreciation and amortisation	**27,188**	28,494
Employee benefit expenses, excluding amount included in research and development costs	**72,531**	54,779
Changes in inventories of finished goods and work in progress	**(8,232)**	(3,869)
Raw materials used	**337,331**	307,483
(Reversal of provision)/provision for impairment of trade and other receivables	**(3,978)**	5,795
Impairment charge for intangible assets	**24,289**	–
(Reversal of provision)/provision for write-down of inventories	**(581)**	377
Water and electricity	**5,616**	4,795
Sales commission	**18,089**	25,994
Transportation and travelling	**20,031**	16,787
Advertising costs	**14,828**	7,904
Consulting expenses	**15,256**	6,968
Rental expenses	**5,188**	4,983
Auditors' remuneration	**2,361**	2,125
Research and development costs		
– Employee benefit expenses	**13,519**	9,831
– Others	**9,604**	3,943
Entertainment	**11,451**	15,463
Office expenses	**21,261**	17,921
Other expenses	**15,549**	10,263
Cost of sales, selling and marketing expenses and administrative expenses	**601,301**	520,036

5. OTHER GAINS

	2010	2009
Other gains – net		
Government grants	**1,065**	4,660
Loss on disposal of an associate	**(385)**	–
Loss on liquidation of a subsidiary	**(252)**	–
Others	**201**	616
	629	5,276

6. FINANCIAL INCOME AND COSTS

	2010	2009
Finance income		
– Interest income	**3,362**	3,212
Finance costs		
– Interest expense	**(59)**	(465)
– Exchange gains/(losses)	**121**	(783)
	62	(1,248)
Finance income – net	**3,424**	1,964

7. INCOME TAX CHARGE

The amount of taxation charged to the income statement represents:

	2010	2009
Current income tax	**21,412**	20,898
Over-provision in prior year	**–**	(2,963)
Deferred income tax	**(8,971)**	(4,208)
	12,441	13,727

(a) No provision for profits tax in the British Virgin Islands, the Cayman Islands and Hong Kong has been made as the Group has no income assessable for profits tax for the year in these jurisdictions.

(b) Pursuant to the Corporate Income Tax (the "CIT") Law effective from 1 January 2009, the subsidiaries of the Group established in the PRC are subject to income tax at a rate of 25% unless preferential rates are applicable.

Two subsidiaries of the Group, Shenzhen Boton and Wutong Aroma, were qualified as High/New Technology Enterprises, and accordingly they are entitled to the preferential rate of 15% for the years from 2008 to 2010.

(c) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 15%, the applicable tax rate of two major subsidiaries of the Group, as follows:

	2010	2009
Profit before income tax	**79,032**	77,124
Tax calculated at the tax rate of 15% (2009: 15%)	**11,855**	11,569
Tax losses not recognised	**107**	240
Effect of change in tax rate	**(4,382)**	–
Withholding tax on the earnings anticipated to be remitted by subsidiaries	**815**	612
Expenses not deductible for tax purposes	**4,046**	4,269
Over-provision in prior year	**–**	(2,963)
Taxation charge	**12,441**	13,727

8. EARNINGS PER SHARE

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.

	2010	2009
Profit attributable to equity holders of the Company	**68,667**	61,064
Weighted average number of ordinary shares in issue *(thousands of shares) (Note (a))*	**486,898**	486,886
Basic earnings per share *(RMB per share)*	**0.14**	0.13

(a) Weighted average number of ordinary shares in issue in 2009 have been adjusted for the interim scrip dividends declared in 2010.

In both 2010 and 2009, diluted earnings per share are the same as basic earnings per share due to the absence of dilutive potential ordinary shares as at year end date.

9. DIVIDENDS

The Board issued an interim scrip dividend of HK$0.01 per share amounting to HK$250,000 (equivalent to RMB217,000).

A final scrip dividend in respect of the year ended 31 December 2010 of HK$0.08 (2009: Nil) per share was proposed pursuant to a resolution passed by the Board on 18 March 2011 and subject to the approval of the shareholders in the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

10. TRADE AND OTHER RECEIVABLES

	Note	**2010**	2009
Trade receivables	*(a)*	**159,410**	158,023
Less: provision for impairment		**(22,722)**	(27,138)
Trade receivables – net		**136,688**	130,885
Bills receivables	*(b)*	**64,920**	46,467
Prepayments		**22,256**	36,251
Advances to staff		**4,532**	4,200
Staff benefit payments		**3,992**	4,027
Other receivables		**7,708**	8,958
		240,096	230,788

Fair values of trade and other receivables approximate their carrying amounts.

The carrying amounts of trade and other receivables are mainly denominated in RMB.

(a) The credit period granted to customers is generally 90 days. The ageing analysis of the trade receivables from the date of sales is as follows:

	2010	2009
Up to 3 months	**109,882**	88,167
3 to 6 months	**14,695**	23,683
6 to 12 months	**5,976**	7,134
Over 12 months	**28,857**	39,039
	159,410	158,023

(b) Bills receivables

The balance represents bank acceptance notes with maturity profile as follows:

	As at 31 December	
	2010	2009
Up to 90 days	**30,499**	20,706
91 days to 180 days	**34,421**	25,761
	64,920	46,467

11. TRADE AND OTHER PAYABLES

	Note	**2010**	2009
Trade payables	*(a)*	**83,491**	62,143
Notes payable		**2,673**	–
Other tax payables		**3,563**	4,848
Accrued expenses		**8,625**	4,816
Salaries payable		**5,823**	4,617
Other payables		**5,462**	3,904
		109,637	80,328

The carrying amounts of trade and other payables are mainly denominated in RMB.

(a) The ageing analysis of the trade payables is as follows:

	2010	2009
Up to 3 months	**75,697**	53,871
3 to 6 months	**3,522**	4,445
6 to 12 months	**1,537**	1,465
Over 12 months	**2,735**	2,362
	83,491	62,143

12. DEFERRED INCOME TAX

	2010	2009
Deferred tax assets:		
– to be recovered after more than 12 months	**3,058**	3,591
– to be recovered within 12 months	**5,826**	4,724
	8,884	8,315
Deferred tax liabilities:		
– to be settled after more than 12 months	**(15,322)**	(22,944)
– to be settled within 12 months	**(842)**	(1,622)
	(16,164)	(24,566)

The gross movements of the deferred income tax account were as follows:

	2010	2009
At 1 January	**(16,251)**	(20,459)
Credited to consolidated income statement	**8,971**	4,208
At 31 December	**(7,280)**	(16,251)

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in the research and development, trading, manufacturing and selling of flavors and fragrances, which are provided to the Group's customers for making addition and improvement of flavors or fragrances in the customers' manufactured tobacco, food and daily consumer goods. The Group's products add value by enhancing tastes or smells of its customers' products and therefore improve the product quality of the products manufactured by the Group's customers. The Group's flavors are sold principally to manufacturers of tobacco, beverages, daily foods, preserved food, savory and confectionery products whereas the Group's fragrances are sold principally to manufacturers of cosmetics, perfumes, soaps, toiletries, hair care products, deodorant, detergent and air fresheners products.

The global economy has rebounded from recession in 2009 during the year and it is projected to grow onwards. The flavor and fragrance market has shown a growth in 2010 as result from the improved general economic condition. The steady growth of China economy and the increased consumption together with the improved general economic condition flavor the industry in 2010. The favorable market environment constituted the increase of the Group's revenue by approximately 14.7% to RMB676.5 million (2009: RMB589.6 million).

Though we are confident with the continuous growth in flavor and fragrance market, the increased competition and foreseeable inflation inevitably increase the costs to the Group. The Group's cost of goods sold for the year amounted to RMB329.1 million (2009: RMB303.6 million).

Despite the growth in the turnover from flavor enhancer, fine fragrances and food flavor, the net profit of the Company could not reflect the rebound of the general economic condition in flavor industry, which is mainly due to the impairment on the intangible asset arising from the acquisition of Wutong Aroma Chemicals Company Limited ("Wutong Aroma") in 2007. Although Wutong Aroma has achieved its profit guarantee and made significant improvement in its extract operation since the financial crisis in 2008, impairment was required in the intangible asset mainly due to the change of customer base as Wutong has focused more on the export sale rather than domestic sale in the past. With the experience in the financial crisis in 2008, Wutong realized that they should develop more domestic sales instead of relying on the export sales which was hit drastically by the financial crisis. However, domestic sale still maintained a stable growth as a result of the strong demand in PRC. Thus, impairment on the intangible assets arises from the change of sale and the new trademarket to be developed by Wutong in the foreseeable future although such impairment did not have significant impact of the actual operating profitability and cashflow of the Company.

To become one of the leading flavor and fragrance companies in the PRC and overcome the foreseeable obstacles, we will continuously exert efforts to strengthen our research and development, broaden the product diversities and increase capacities so to reach economies of scale and obtain more orders from food and household products manufacturers. We will also endeavor to control the costs, take more stringent measures for risk management and performance appraisal to strive for a better performance in the coming years.

Operational and financial review

Revenue

For the year ended 31 December 2010, the Group recorded a turnover of approximately RMB676.5 million (2009: RMB589.6 million), representing an approximately 14.7% increment compared with the last year. The increase in turnover was attributed to (i) increase in demand of flavors enhancers as a result of the introduction of new flavor enhancer products to the tobacco, (ii) an increase in sales contribution by our upstream subsidiary, Wutong Aroma; and (iii) increase in the turnover of food flavorings and fine fragrances by 29.0% and 24.6% respectively.

Gross Profit

The gross profit of the Group increased by 20.8% to RMB309.0 million (2009: RMB255.8 million) due to the fact that the Group's overall gross profit margin has been increased from 43.4% to 45.7%. The increase in gross profit margin was mainly attributable to the strengthened cost control in production and improved production facilities which resulted a higher production yield.

Net Profit

The Group's net profit attributable to equity holders of the Company for the year ended 31 December 2010 was approximately RMB68.7 million (2009: RMB61.1 million), which representing approximately 12.5% increment comparing with the previous year. The net profit margin of the Group has been decreased from 10.8% in 2009 to 9.8% for the year. The decrease in net profit margin was mainly attributable to the impairment charge for intangible assets of approximately RMB24.3 million.

Expenses

Selling and distribution costs amounted to approximately RMB110.2 million (2009: RMB88.2 million), representing approximately 16.3% (2009: 15.0%) of turnover for the year ended 31 December 2010. The increase in the selling and distribution cost during the year was mainly attributable to the increase in employee benefit expenses and expenses for marketing and promotion activities during the year.

Administrative expenses amounted to approximately RMB123.5 million (2009: RMB98.1 million), representing approximately 18.3% (2009: 16.6%) of the turnover for the year ended 31 December 2010. The major components of the administrative expenses include impairment charge for intangible assets, employee benefit expenses, depreciation and amortization, legal and professional fees, entertainment fees which, in aggregate, accounted for 79.6% of the total administrative expenses (2009: 75.2%).

Finance income-net amounted to approximately RMB3.4 million (2009: RMB2.0 million). The increase of the net finance income was mainly attributable to the reduction of finance costs which is due to the repayment of short-term loan during the year.

Future plans and prospects

The management of the Group is very confident to the future prospect of the Group since the global economy was rebounded from the recession and the flavors and fragrances market is under a steady growth. The Group's focused business line, enhanced production base and renowned production facilities continuously improve the Group's operational and financial performance since its listing on the main board of Hong Kong Stock Exchange since December 2005.

The Group will continue to consolidate and better utilize its resources in order to retain and expand the market share in the industry. Public will realize that our growth in 2011 is promising and encouraging to the shareholders of the Company.

Liquidity and financial resources

As at 31 December 2010, the Group had net current assets of RMB456.2 million (2009: RMB449.9 million). The Group had cash and bank deposits of RMB211.7 million (2009: RMB217.6 million). The current ratio of the Group was approximately 4.7 (2009: 5.9).

Total equity of the Group as at 31 December 2010 was approximately RMB903.2 million (2009: RMB834.9 million). As at 31 December 2010 the Group does not have any bank borrowings (2009: Nil).

As indicated by the above figures, the Group has still maintained satisfactory financial resources to execute its future commitments and future investments for expansion.

Financing

The Board believes that the existing financial resources will be sufficient to execute future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable term.

Capital structure

The share capital of the Company comprises ordinary shares for the year ended 31 December 2010.

Foreign exchange risk

The Group has net exchange gains of RMB0.1 million in 2010 (2009: net exchange losses of RMB0.8 million). The Group mainly operates in the PRC and most of its transactions are dominating in RMB, hence, no financial instrument was pledged for the value fluctuation of RMB since the hedging cost is relatively high and the conversion of foreign currencies is subject to the rules and regulations of foreign exchange promulgated by the PRC government.

Capital expenditure

During the year, the Group invested approximately RMB111.1 million (2009: RMB38.4 million) in fixed assets, of which RMB4.1 million (2009: RMB4.0 million) was used for the purchase of plant and machinery.

For the year ended 31 December 2010, the Group had capital commitments of approximately RMB110.6 million (2009: RMB198.4 million) in respect of fixed assets, which are to be funded by internal resources.

Charge on Group's assets

As at 31 December 2010, the Group does not have any pledge or charge on assets except that pledged bank deposits of RMB2.7 million were placed as guarantee deposits for issuing notes payable.

Staff policy

The Group had 880 employees in the PRC and 10 employees in Hong Kong as at 31 December 2010. The Group offers a comprehensive and competitive remuneration, retirement schemes and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are each required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme, as required under the Mandatory Provident Schemes Ordinance, for its employees in Hong Kong.

Material investment

For the year ended 31 December 2010, the Group does not have material investment.

Contingent liabilities

At the balance sheet date, the Group did not have any significant contingent liabilities.

Final Dividend

The Board has resolved to recommend the payment of a final dividend for the year ended 31 December 2010 wholly in scrip form equivalent to HK$0.08 (2009: Nil) per share to shareholders whose names appear on the register of members of the Company on 13 May 2011 (the "Scrip Dividend Scheme"). Together with the interim dividend of HK$0.01 (2009: Nil) per share paid on 29 October 2010, the total dividends per share for the year ended 31 December 2010 will thus be HK$0.09 per share (2009: Nil).

The number of new shares ("Scrip Shares") to be allotted and issued under the Scrip Dividend Scheme will be calculated on the basis of the average closing prices per share of the Company on the Stock Exchange for the 5 consecutive trading days from 6 May 2011 to 13 May 2011.

Subject to (i) the approval of the Company's shareholders at the forthcoming annual general meeting to be held on 13 May 2011; and (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in Scrip Shares, the relevant share certificates for Scrip Shares will be despatched to shareholders on or about 17 June 2011.

A circular containing, inter alia, full details of the Scrip Dividend Scheme will be sent to shareholders on or about 8 April 2011.

Closure of Register of Members

The register of members of the Company will be closed from 6 May 2011 to 13 May 2011, both days inclusive. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m on 5 May 2011.

Purchases, Redemption or Sale of Listed Securities of the Company

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

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Code on Corporate Governance Practices

The Company has complied with the code provisions as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2010.

Audit Committee

The audited annual results of the Group for the year ended 31 December 2010 have been reviewed by the audit committee of the Company.

Remuneration Committee

The committee was set up to consider and approve the remuneration packages of the senior employees of the Group, including the terms of salary and bonus schemes and other long-term incentive schemes.

Nomination Committee

The committee reviews the structure, size and composition of the Board from time to time and recommends to the Board on appointments of Directors and the succession plan for Directors. The committee now comprises of all Independent Non-executive Directors of the Company.

Significant Events after the Balance Sheet Date

Subsequent to year ended 31 December 2010, the board considers the feasibility to spin off (the "Proposed Spin-off") and obtain a separate listing of the business of Wutong Aroma Chemicals Company Limited 滕州市悟通香料有限責任公司 ("Wutong") on the Growth Enterprise Market of the Stock Exchange. As at the date hereof, Wutong is engaged in the manufacture and sale of pharmaceutical intermediates and flavor and fragrance ingredient business.

The Proposed Spin-off is subject to the approval of the Stock Exchange and the Board has not decided whether to proceed with the Proposed Spin-off. The Company will make further announcements in relation to the Proposed Spin-off as and when appropriate and/or required under the Listing Rules.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the model code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company that they have compiled with the required standard set out in the model code throughout the year ended 31 December 2010.

Publication of Annual Report on the Websites of the Stock Exchange and the Company

A copy of annual report containing all information required by relevant paragraphs of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://www.chinaffl.com) in due course.

On behalf of the Board
中國香精香料有限公司
China Flavors & Fragrances Co., Ltd.
WONG Ming Bun
Chairman

Hong Kong, 18 March 2011

As at the date of this announcement, the executive directors of the Company are Mr. Wong Ming Bun, Mr. Wang Ming Fan, Mr. Li Qing Long, Mr. Wang Ming You and Mr. Qian Wu; and the independent non-executive directors of the Company are Mr. Leung Wai Man, Roger, Mr. Ng Kwan Wan and Mr. Zhou Xiao Xiong.