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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 2011

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 2011, together with the comparative figures for 2010.

CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

		Year ended 31 December	
	Note	2011	2010
Revenue	2	731,890	676,541
Cost of sales	3	(429,622)	(367,584)
Gross profit		302,268	308,957
Selling and marketing expenses	3	(115,590)	(110,201)
Administrative expenses	3	(108,968)	(123,516)
Other gains – net		2,193	629
Operating profit		79,903	75,869
Finance income		3,133	3,362
Finance costs		(925)	62
Finance income – net		2,208	3,424
Share of loss of an associate		–	(261)
Profit before income tax		82,111	79,032
Income tax charge	4	(19,952)	(12,441)
Profit for the year		62,159	66,591
Attributable to:			
Equity holders of the Company		56,525	68,667
Non-controlling interests		5,634	(2,076)
		62,159	66,591
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– basic and diluted	5	0.11	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Year ended 31 December	
	2011	2010
Profit for the year	62,159	66,591
Fair value gains on available-for-sale financial assets	<u>1,919</u>	<u>600</u>
Total comprehensive income for the year	<u>64,078</u>	<u>67,191</u>
Attributable to:		
Equity holders of the Company	58,444	69,267
Non-controlling interests	<u>5,634</u>	<u>(2,076)</u>
Total comprehensive income for the year	<u>64,078</u>	<u>67,191</u>

CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	<i>Note</i>	As at 31 December	
		2011	2010
ASSETS			
Non-current assets			
Land use rights		74,789	72,863
Property, plant and equipment		358,693	257,086
Intangible assets		93,138	102,604
Available-for-sale financial assets		29,600	27,681
Deferred income tax assets	9	7,156	8,884
		563,376	469,118
Current assets			
Inventories		155,500	127,831
Trade and other receivables	7	255,632	240,096
Pledged bank deposits		–	2,673
Short-term bank deposits		–	68,541
Cash and cash equivalents		135,645	140,474
		546,777	579,615
Total assets		1,110,153	1,048,733

	<i>Note</i>	As at 31 December	
		2011	2010
EQUITY			
Attributable to equity holders of the Company			
Share capital		52,144	50,328
Share premium		376,356	376,356
Other reserves		106,627	94,815
Retained earnings		348,613	303,797
		<u>883,740</u>	<u>825,296</u>
Non-controlling interests		<u>71,005</u>	<u>77,871</u>
Total equity		<u>954,745</u>	<u>903,167</u>
LIABILITIES			
Non-current liabilities			
Deferred government grants	8(b)	–	6,000
Deferred income tax liabilities	9	16,380	16,164
		<u>16,380</u>	<u>22,164</u>
Current liabilities			
Trade and other payables	8	105,210	109,637
Current income tax liabilities		13,818	13,765
Borrowings		20,000	–
		<u>139,028</u>	<u>123,402</u>
Total liabilities		<u>155,408</u>	<u>145,566</u>
Total equity and liabilities		<u><u>1,110,153</u></u>	<u><u>1,048,733</u></u>
Net current assets		<u><u>407,749</u></u>	<u><u>456,213</u></u>
Total assets less current liabilities		<u><u>971,125</u></u>	<u><u>925,331</u></u>

Notes:

1. 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.

2. SEGMENT INFORMATION

The chief operating decision-makers 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-makers 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 2011 is as follows:

	Flavors enhancers	Food flavors	Fine fragrances	Extracts	Total segments	Unallocated	Total
Segment revenue	346,238	144,525	85,117	158,866	734,746	–	734,746
Inter-segment revenue	–	–	(805)	(2,051)	(2,856)	–	(2,856)
Revenue from external customers	346,238	144,525	84,312	156,815	731,890	–	731,890
Operating profit/(loss)	83,355	1,779	(11,538)	21,517	95,113	(15,210)	79,903
Finance income	–	–	–	237	237	2,896	3,133
Finance costs	–	–	–	(471)	(471)	(454)	(925)
Finance income – net	–	–	–	(234)	(234)	2,442	2,208
Profit/(loss) before income tax	83,355	1,779	(11,538)	21,283	94,879	(12,768)	82,111
Income tax charge	(17,069)	(546)	2,053	(4,390)	(19,952)	–	(19,952)
Profit/(loss) for the year	<u>66,286</u>	<u>1,233</u>	<u>(9,485)</u>	<u>16,893</u>	<u>74,927</u>	<u>(12,768)</u>	<u>62,159</u>
Depreciation and amortisation	7,607	5,315	1,931	11,478	26,331	337	26,668
Reversal of provision for impairment of trade and other receivables	–	–	(5,889)	(2,139)	(8,028)	–	(8,028)
Provision/(reversal of provision) for write-down of inventories	–	–	710	(207)	503	–	503

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 profit 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	<u>63,193</u>	<u>21,872</u>	<u>(7,037)</u>	<u>(4,965)</u>	<u>73,063</u>	<u>(6,472)</u>	<u>66,591</u>
Depreciation and amortisation (Reversal of provision)/provision for impairment of trade and other receivables	7,362 (2,799)	5,845 (1,228)	2,280 (599)	11,394 648	26,881 (3,978)	307 –	27,188 (3,978)
Impairment charge of intangible assets	–	–	–	24,289	24,289	–	24,289
Reversal of provision for write-down of inventories	–	–	–	(581)	(581)	–	(581)

Breakdown of revenue is as follows:

	2011	2010
Analysis of revenue by category		
Sales of goods	721,590	668,478
Revenue from processing services	10,300	8,063
	<u>731,890</u>	<u>676,541</u>

The result of the Group's revenue from external customers in the PRC for the year ended 31 December 2011 is RMB700,827,000 (2010: RMB653,648,000), and the total revenue from external customers from other countries is RMB31,063,000 (2010: RMB22,893,000).

3. EXPENSES BY NATURE

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

	2011	2010
Depreciation and amortisation	26,668	27,188
Employee benefit expenses, excluding amount included in research and development costs	85,876	72,531
Changes in inventories of finished goods and work in progress	(29,928)	(8,232)
Raw materials used	397,081	337,331
Reversal of provision for impairment of trade and other receivables	(8,028)	(3,978)
Impairment charge for intangible assets	–	24,289
Provision/(reversal of provision) for write-down of inventories	503	(581)
Water and electricity	6,509	5,616
Sales commission	15,660	18,089
Transportation and travelling	22,928	20,031
Advertising costs	24,393	14,828
Consulting expenses	19,505	15,256
Lease expenses	3,587	3,568
Car rental expenses	731	1,620
Auditors' remuneration	2,401	2,361
Research and development costs		
– Employee benefit expenses	16,465	13,519
– Others	5,070	9,604
Entertainment	11,528	11,451
Office expenses	23,161	21,261
Non-deductible value added tax	8,002	–
Other expenses	22,068	15,549
	<u>654,180</u>	<u>601,301</u>

4. INCOME TAX CHARGE

The amount of taxation charged to the income statement represents:

	2011	2010
Current income tax	18,008	21,412
Deferred income tax	1,944	(8,971)
	<u>19,952</u>	<u>12,441</u>

- (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 2008, 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 2011 to 2013.

- (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:

	2011	2010
Profit before income tax	<u>82,111</u>	<u>79,032</u>
Tax calculated at the tax rate of 15% (2010: 15%)	12,317	11,855
Tax losses not recognised	58	107
Effect of change in tax rate	388	(4,382)
Withholding tax on the earnings anticipated to be remitted by subsidiaries	937	815
Expenses not deductible for tax purposes	<u>6,252</u>	<u>4,046</u>
Taxation charge	<u><u>19,952</u></u>	<u><u>12,441</u></u>

5. 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.

	2011	2010
Profit attributable to equity holders of the Company	<u>56,525</u>	<u>68,667</u>
Weighted average number of ordinary shares in issue (<i>thousands of shares</i>) (Note (a))	<u>509,374</u>	<u>508,736</u>
Basic earnings per share (<i>RMB per share</i>)	<u><u>0.11</u></u>	<u><u>0.13</u></u>

- (a) Weighted average number of ordinary shares in issue in 2011 and 2010 has been adjusted for the scrip dividends issued in 2011.

In both 2011 and 2010, 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.

6. DIVIDENDS

The Board did not recommend the payment of interim dividend for the year (2010: RMB217,000).

The Board has resolved to recommend the payment of a final dividend for the year ended 31 December 2011 wholly in scrip form equivalent to HK\$0.08 (2010: HK\$0.08) per share to shareholders whose names appear on the register of members of the Company on 23 May 2012.

A dividend of RMB12,500,000 was paid during the year by Wutong Aroma to the non-controlling shareholders relating to the years before 2008 (2010: nil).

7. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2011	2010
Trade receivables	(a)	173,897	159,410
Less: provision for impairment		(14,244)	(22,722)
		<hr/>	<hr/>
Trade receivables – net		159,653	136,688
Bills receivables	(b)	59,304	64,920
Prepayments		25,727	22,256
Advances to staff		5,568	4,532
Staff benefit payments		3,635	3,992
Other receivables		1,745	7,708
		<hr/>	<hr/>
		255,632	240,096
		<hr/> <hr/>	<hr/> <hr/>

- (a) The credit period granted to customers is generally between 30 days to 180 days. The ageing analysis of the trade receivables from the date of sales is as follows:

	2011	2010
Up to 3 months	117,627	109,882
3 to 6 months	25,545	14,695
6 to 12 months	13,272	5,976
Over 12 months	17,453	28,857
	<hr/>	<hr/>
	173,897	159,410
	<hr/> <hr/>	<hr/> <hr/>

- (b) Bills receivables

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

	As at 31 December	
	2011	2010
Up to 90 days	20,643	30,499
91 days to 180 days	38,661	34,421
	<hr/>	<hr/>
	59,304	64,920
	<hr/> <hr/>	<hr/> <hr/>

8. TRADE AND OTHER PAYABLES

	<i>Note</i>	2011	2010
Trade payables	(a)	75,517	83,491
Notes payable		–	2,673
Other tax payables		2,338	3,563
Accrued expenses		7,279	8,625
Salaries payable		6,544	5,823
Other payables		7,532	5,462
Amount due to local government authority	(b)	6,000	–
		<u>105,210</u>	<u>109,637</u>

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

	2011	2010
Up to 3 months	62,767	75,697
3 to 6 months	6,642	3,522
6 to 12 months	1,648	1,537
Over 12 months	4,460	2,735
	<u>75,517</u>	<u>83,491</u>

(b) The amount due to local government authority represented the subsidy on technical improvement support received from Tengzhou government authority in advance which should be returned to Tengzhou government authority as the conditions for the subsidy were not met.

9. DEFERRED INCOME TAX

	2011	2010
Deferred tax assets:		
– to be recovered after more than 12 months	2,976	3,058
– to be recovered within 12 months	4,180	5,826
	<u>7,156</u>	<u>8,884</u>
Deferred tax liabilities:		
– to be settled after more than 12 months	(15,583)	(15,322)
– to be settled within 12 months	(797)	(842)
	<u>(16,380)</u>	<u>(16,164)</u>

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

	2011	2010
At 1 January	(7,280)	(16,251)
(Debited)/Credited to consolidated income statement	(1,944)	8,971
At 31 December	<u>(9,224)</u>	<u>(7,280)</u>

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 and 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.

Continuous changing consumer preferences for high quality living standard as a result of the improvement of the spending power of the people in China lead to an increasing demand of ingredients products including flavors and fragrances. The Group's flavor performance was generally driven by the improvement of economic condition and the constant growth on consumption of flavors and fragrances in China during the year. The sales revenue of the Group amounted to RMB731.9 million for the year ended 2011, representing a growth of 8.2% from the last year.

Despite the growth in the turnover from flavor enhancer, fine fragrances and food flavor, the net profit of the Company did not increase in proportion to the growth of the turnover in the same respective year. Inflation in China has eroded our net profit by continuous increase in salary and raw materials during the year. As such, our net profit has decreased by 6.7% as compared to year 2010.

In order to become one of the leading flavor and fragrance companies in 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 2011, the Group recorded a turnover of approximately RMB731.9 million (2010: RMB676.5 million), representing an approximately 8.2% 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 2.3% and 20.7% respectively.

Gross Profit

The gross profit of the Group decreased by 2.2% to RMB302.3 million (2010: RMB309.0 million) due to the fact that the Group's overall gross profit margin has been decreased from 45.7% to 41.3%. The decrease in gross profit margin was mainly attributable to (i) continuous increasing cost of material, in particular to "Technical Grade d-Limonene", "Bohenao" and "Ethylene chlorohydrin", the major components of the cost of material; and (ii) value added tax being non-deductible.

Net Profit

The Group's net profit attributable to equity holders of the Company for the year ended 31 December 2011 was approximately RMB56.5 million (2010: RMB68.7 million), representing approximately 17.7% decrease comparing with the previous year. The net profit margin of the Group has been decreased from 9.8% in 2010 to 8.5% for the year. The decrease in net profit margin was mainly attributable to the decrease of gross profit of food flavors and fine fragrances products as a result of the increasing cost of raw material.

Expenses

Selling and distribution costs amounted to RMB115.6 million (2010: RMB110.2 million), representing approximately 15.8% (2010: 16.3%) of turnover for the year ended 31 December 2011. The decrease in the selling and distribution cost in proportion to turnover during the year was mainly attributable to the decrease in expenses for marketing and promotion activities during the year.

Administrative expenses amounted to approximately RMB109.0 million (2010: RMB123.5 million), representing approximately 14.9% (2010: 18.3%) of the turnover for the year ended 31 December 2011. 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 73.9% of the total administrative expenses (2010: 79.6%).

Finance income-net amounted to approximately RMB2.2 million (2010: RMB3.4 million). The decrease of the net finance income was mainly attributable to the increase of short-term loan during the year.

Future plans and prospects

In 2012, there are a lot of uncertain factors in the business environment, including but not limited to the inflation in China. However, economic size of production will help us to maintain the continuous growth of revenue. As such, our primary focus will be on the construction of the new production plant which is expected to be completed in end of 2012. As at 31 December 2011, the cost of construction amounts to RMB247.3 million. Production of the new plant will be commenced in the first half of 2013. Save for the increase in our production capacity, the foreseeable price hike for raw materials and rising production cost will inevitably cause reverse impact to the Group. We will continue to allocate resource in research and development which is fundamental in innovating and improving our formulas, being the most important bargaining power with our customers. With such clear vision and strategy, our management has confidence in the future growth of our Group.

Liquidity and financial resources

As at 31 December 2011, the Group had net current assets of RMB407.7 million (2010: RMB456.2 million). The Group had cash and bank deposits of RMB135.6 million (2010: RMB211.7 million). The current ratio of the Group was approximately 3.9 (2010: 4.7).

Total equity of the Group as at 31 December 2011 was approximately RMB954.7 million (2010: RMB903.2 million). As at 31 December 2011, the Group has bank borrowings RMB20 million (2010: 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 2011.

Foreign exchange risk

The Group has net exchange losses of RMB0.5 million in 2011 (2010: net exchange gains of RMB0.1 million). The Group mainly operates in 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 RMB116.9 million (2010: RMB111.1 million) in fixed assets, of which RMB8.0 million (2010: RMB4.1 million) was used for the purchase of plant and machinery.

For the year ended 31 December 2011, the Group had capital commitments of approximately RMB22.4 million (2010: RMB110.6 million) in respect of fixed assets, which are to be funded by internal resources.

Charge on Group's assets

As at 31 December 2011, the Group did not have any pledge or charge on assets.

Staff policy

The Group had 882 employees in the PRC and 8 employees in Hong Kong as at 31 December 2011. 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 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 2011, the Group does not have material investment save for the investment in the new production plant located at Nanshan Shuguang Cang Chu Qu Zong Di No.T505-0059 (南山曙光會儲區宗地 No.T505-0059) in Shenzhen, the PRC amounting to RMB247.3 million.

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 2011 wholly in scrip form equivalent to HK\$0.08 (2010: HK\$0.08) per share to shareholders whose names appear on the register of members of the Company on 23 May 2012.

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 24 May 2012 to 30 May 2012.

Subject to (i) the approval of the Company's shareholders at the forthcoming annual general meeting to be held on 18 May 2012; 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 28 June 2012.

A circular containing, inter alia, full details of the Scrip Dividend Scheme will be sent to shareholders on or about 10 April 2012.

Closure of Register of Members

The register of members of the Company will be closed from 24 May 2012 to 30 May 2012, 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 23 May 2012.

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 year ended 31 December 2011.

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 2011.

Audit Committee

The audited annual results of the Group for the year ended 31 December 2011 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.

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 complied with the required standard set out in the model code throughout the year ended 31 December 2011.

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.hkexnews.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, 23 March 2012

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.