Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2014

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 2014, together with the comparative figures for the year ended 31 December 2013.

CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2014**	2013
Continuing operations			
Revenue	*3*	**702,735**	687,537
Cost of sales	*4*	**(366,775)**	(353,389)
Gross profit		**335,960**	334,148
Selling and marketing expenses	*4*	**(126,491)**	(131,848)
Administrative expenses	*4*	**(127,254)**	(104,671)
Other income		**1,028**	183
Operating profit		**83,243**	97,812
Finance income		**1,833**	3,328
Finance costs		**(22)**	(1,221)
Finance income — net		**1,811**	2,107
Profit before income tax		**85,054**	99,919
Income tax expense	*5*	**(19,960)**	(14,834)
Profit for the year from continuing operations		**65,094**	85,085
Discontinued operations			
Profit/(loss) for the year from discontinued operations	*6(c)*	**4,185**	(7,141)
Profit for the year		**69,279**	77,944
Attributable to:			
Owners of the Company		**68,188**	75,119
Non-controlling interests		**1,091**	2,825
		69,279	77,944

	Note	Year ended 31 December 2014	2013
Profit/(loss) attributable to owners of the Company arises from:			
Continuing operations		**65,444**	85,085
Discontinued operations		**2,744**	(9,966)
		68,188	75,119
Earnings/(losses) per share from continuing and discontinued operations attributable to owners of the Company for the year (expressed in RMB per share)			
Basic and diluted	*7*		
From continuing operations		**0.10**	0.14
From discontinued operations		**0.01**	(0.02)
		0.11	0.12

Details of dividends to owners of the Company are set out in Note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Year ended 31 December	
	2014	2013
Profit for the year	**69,279**	77,944
Other comprehensive income		
Items that may be reclassified to profit or loss		
Fair value gains/(losses) on available-for-sale financial assets	**5,798**	(12,566)
Total comprehensive income for the year	**75,077**	65,378
Attributable to:		
Owners of the Company	**73,986**	62,553
Non-controlling interests	**1,091**	2,825
Total comprehensive income for the year	**75,077**	65,378
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	**71,242**	72,519
Discontinued operations	**2,744**	(9,966)
	73,986	62,553

CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December **2014**	2013
ASSETS			
Non-current assets			
Land use rights		**52,656**	54,004
Property, plant and equipment		**773,304**	501,010
Available-for-sale financial assets		**25,179**	19,381
Deferred income tax assets	*11*	**7,853**	11,558
		858,992	585,953
Current assets			
Inventories		**90,076**	98,409
Trade and other receivables	*9*	**270,799**	249,518
Cash		**148,016**	179,694
		508,891	527,621
Assets of disposal group classified as held for sale	*6(a)*	**—**	255,338
		508,891	782,959
Total assets		**1,367,883**	1,368,912
EQUITY			
Attributable to owners of the Company			
Share capital		**61,878**	61,878
Share premium		**433,779**	433,779
Other reserves		**122,116**	114,773
Retained earnings		**527,554**	460,911
		1,145,327	1,071,341
Non-controlling interests		**39,596**	75,184
Total equity		**1,184,923**	1,146,525

		As at 31 December	
	Note	**2014**	2013
LIABILITIES			
Non-current liabilities			
Deferred government grants		**14,887**	7,400
Current liabilities			
Trade and other payables	*10*	**114,640**	121,757
Current income tax liabilities		**23,433**	23,149
Borrowings		**30,000**	—
		168,073	144,906
Liabilities of disposal group classified as held for sale	*6(b)*	**—**	70,081
		168,073	214,987
Total liabilities		**182,960**	222,387
Total equity and liabilities		**1,367,883**	1,368,912
Net current assets		**340,818**	567,972
Total assets less current liabilities		**1,199,810**	1,153,925

Notes (All amounts in Renminbi thousands unless otherwise stated):

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.

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 20 March 2015.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

The new amendments to standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2014 do not have significant impact on the Group.

3. 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 during the year:

- Flavor 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 and profit for the year as follows.

On 29 October 2013, the Group entered into an agreement to dispose of its entire equity interest in Universal Fragrances Company Limited and its subsidiaries ("Disposal Group"). The transaction has been completed on 28 February 2014 and the results of Disposal Group have been presented as discontinued operations (Note 6).

The segment information for the year ended 31 December 2014 is as follows:

	Continuing Operations					Discontinued Operations		
	Flavor enhancers	Food flavors	Fine fragrances	Unallocated	Total segments	Extracts	Unallocated	Total
Segment revenue	416,093	152,813	134,512	—	703,418	22,919	—	726,337
Inter-segment revenue	—	—	(683)	—	(683)	(144)	—	(827)
Revenue from external customers	416,093	152,813	133,829	—	702,735	22,775	—	725,510
Operating profit/(loss)	76,956	17,760	(1,341)	(10,132)	83,243	3,379	11	86,633
Finance income	—	—	—	1,833	1,833	347	—	2,180
Finance costs	—	—	—	(22)	(22)	—	(27)	(49)
Finance income — net	—	—	—	1,811	1,811	347	(27)	2,131
Profit/(loss)before income tax	76,956	17,760	(1,341)	(8,321)	85,054	3,726	(16)	88,764
Gain on disposal of subsidiaries	—	—	—	—	—	—	1,302	1,302
Income tax expense	(16,377)	(3,777)	194	—	(19,960)	(827)	—	(20,787)
Profit/(loss) for the year	60,579	13,983	(1,147)	(8,321)	65,094	2,899	1,286	69,279
Depreciation and amortisation	8,968	3,004	1,880	—	13,852	—	—	13,852
(Reversal of provision)/provision for impairment of trade and other receivables	—	(356)	7,540	—	7,184	(120)	—	7,064
Provision/(reversal of provision) for write-down of inventories	—	—	147	—	147	(25)	—	122

The segment information for the year ended 31 December 2013 is as follows:

	Continuing Operations					Discontinued Operations		
	Flavor enhancers	Food flavors	Fine fragrances	Unallocated	Total segments	Extracts	Unallocated	Total
Segment revenue	384,600	172,174	132,837	—	689,611	146,818	—	836,429
Inter-segment revenue	—	—	(2,074)	—	(2,074)	(693)	—	(2,767)
Revenue from external customers	384,600	172,174	130,763	—	687,537	146,125	—	833,662
Operating profit/(loss)	76,657	19,769	5,251	(3,865)	97,812	7,404	(953)	104,263
Finance income	—	—	—	3,328	3,328	764	—	4,092
Finance costs	—	—	—	(1,221)	(1,221)	(536)	41	(1,716)
Finance income — net	—	—	—	2,107	2,107	228	41	2,376
Profit/(loss)before income tax	76,657	19,769	5,251	(1,758)	99,919	7,632	(912)	106,639
Income tax expense	(11,128)	(2,912)	(794)	—	(14,834)	(1,070)	—	(15,904)
Profit/(loss) for the year after income tax	65,529	16,857	4,457	(1,758)	85,085	6,562	(912)	90,735
After tax loss recognised on the re-measurement of assets of disposal group	—	—	—	—	—	—	(12,791)	(12,791)
Profit/(loss) for the year	65,529	16,857	4,457	(1,758)	85,085	6,562	(13,703)	77,944
Depreciation and amortisation	6,774	2,518	1,361	—	10,653	12,978	131	23,762
(Reversal of provision)/provision for impairment of trade and other receivables	—	—	(539)	—	(539)	77	—	(462)
Impairment charge of disposal group	—	—	—	—	—	—	12,791	12,791
Provision for write-down of inventories	—	—	1,086	—	1,086	205	—	1,291

Breakdown of revenue is as follows:

Analysis of revenue by category	**2014**	2013
From continuing operations:		
Sales of goods	**702,735**	687,537

The Group's revenue from external customers in the PRC for the year ended 31 December 2014 is RMB 677,378,000 (2013: RMB658,232,000), and the total revenue from external customers from other countries is RMB25,357,000 (2013: RMB29,305,000).

Analysis of revenue by geographic	**2014**	2013
From continuing operations:		
PRC	**677,378**	658,232
Southeast Asia	**25,357**	29,305
	702,735	687,537

The total of non-current assets other than available-for-sale financial assets and deferred tax assets located in the PRC is RMB825,960,000 (2013: RMB555,014,000).

4. EXPENSES BY NATURE

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

	2014	2013
Depreciation and amortisation	**13,852**	10,653
Employee benefit expenses, excluding amount included in research and development costs	**76,930**	83,530
Changes in inventories of finished goods and work in progress	**4,931**	9,759
Raw materials used	**325,111**	306,051
Provision/(reversal of provision) for impairment of trade and other receivables	**7,184**	(539)
Provision for write-down of inventories	**147**	1,086
Water and electricity	**3,675**	2,855
Sales commission	**17,403**	21,363
Transportation and travelling	**21,619**	19,146
Advertising costs	**22,500**	31,004
Consulting expenses	**17,133**	17,254
Lease expenses	**3,066**	3,685
Auditors' remuneration	**2,439**	2,439
Research and development costs		
— Employee benefit expenses	**13,863**	15,039
— Research service fees	**19,962**	246
— Others	**1,798**	7,752
Entertainment	**7,666**	8,342
Office expenses	**38,083**	31,831
Donation	**2,377**	—
Other expenses	**20,781**	18,412
Cost of sales, selling and marketing expenses and administrative expenses	**620,520**	589,908

5. INCOME TAX EXPENSE

The amount of taxation charged to the consolidated income statement represents:

	2014	2013
Current income tax	**16,255**	18,559
Deferred income tax	**3,705**	(3,725)
	19,960	14,834

(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 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.

Shenzhen Boton, a subsidiary of the Group, was qualified as High/New Technology Enterprises, and accordingly it is entitled to the preferential rate of 15% for the years from 2014 to 2016.

(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 the major subsidiary of the Group, as follows:

	2014	2013
Profit before income tax	**85,054**	99,919
Tax calculated at the tax rate of 15% (2013: 15%)	**12,758**	14,988
Tax losses not recognised	**508**	425
Effect of change in tax rate	**4,493**	(3,561)
Expenses not deductible for tax purposes	**2,201**	2,982
Taxation charge	**19,960**	14,834

6. DISPOSAL GROUP HELD-FOR-SALE AND DISCONTINUED OPERATIONS

The assets and liabilities related to Disposal Group, a 50% owned subsidiary of the Company, have been presented as held for sale following the entering into of an agreement by the Group on 29 October 2013 to sell the Disposal Group to an independent investor. The transaction has been completed on 28 February 2014. After the disposal, Disposal Group ceased to be subsidiaries of the Group.

(a) Assets of disposal group classified as held for sale

	2014	2013
Land use rights	—	21,712
Property, plant and equipment	—	57,962
Other intangible assets	—	27,699
Goodwill	—	35,515
Deferred income tax assets	—	3,180
Inventories	—	35,162
Trade and other receivables	—	37,081
Pledged bank deposits	—	7,524
Cash	—	29,503
Total	—	255,338

(b) Liabilities of disposal group classified as held for sale

	2014	2013
Deferred government grants	—	5,197
Deferred income tax liabilities	—	14,734
Trade and other payables	—	49,957
Current income tax liabilities	—	193
Total	—	70,081

(c) Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets of disposal group, is as follows:

	2014	2013
Revenue	**22,775**	146,125
Cost of sales	**(15,762)**	(106,973)
Selling and marketing expenses	**(1,033)**	(7,482)
Administrative expenses	**(2,601)**	(24,928)
Other income/(loss)	**11**	(291)
Finance income	**347**	764
Finance costs	**(27)**	(495)
Profit before income tax of discontinued operations	**3,710**	6,720
Income tax expense	**(827)**	(1,070)
Profit after tax of discontinued operations	**2,883**	5,650
Pre-tax loss recognised on the re-measurement of assets of disposal group	**—**	(12,791)
Tax	**—**	—
After tax loss recognised on the re-measurement of assets of disposal group	**—**	(12,791)
Gain on disposal of subsidiaries *(Note (e))*	**1,302**	—
Profit/(loss) for the year from discontinued operations	**4,185**	(7,141)
Profit/(loss) for the year from discontinued operations attributable to:		
— Owners of the company	**2,744**	(9,966)
— Non-controlling interests	**1,441**	2,825
Profit/(loss) for the year from discontinued operations	**4,185**	(7,141)

(d) Analysis of cash flows of the discontinued operations is as follows:

Group	**2014**	2013
Operating cash (outflows)/inflows	**(8,876)**	13,470
Investing cash outflows	**(280)**	(5,877)
Financing cash flows	**—**	—
Total cash flows	**(9,156)**	7,593

(e) Gain on disposal of Disposal Group is as follows:

	2014
Net consideration	
Cash received	**110,429**

Analysis of assets and liabilities over which control was lost:

	2014
Land use rights	**21,712**
Property, plant and equipment	**58,886**
Other intangible assets	**27,699**
Goodwill	**35,515**
Deferred income tax assets	**3,086**
Inventories	**40,446**
Trade receivables	**33,263**
Deposits, prepayments and other receivables	**9,377**
Pledged bank deposits	**7,869**
Cash	**20,347**
Trade payables	**(24,719)**
Other payables and accruals	**(47,729)**
Net assets disposed of	**185,752**
Non-controlling interests	**76,625**
Gain on disposal of Disposal Group	**1,302**
Net consideration	**110,429**
Less: cash	**(20,347)**
Net cash inflows from disposal of Disposal Group	**90,082**

7. EARNINGS PER SHARE

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

	2014	2013
Profit/(loss) attributable to owners of the Company		
— Continuing operations	**65,444**	85,085
— Discontinued operations	**2,744**	(9,966)
Profit attributable to owners of the Company	**68,188**	75,119
Weighted average number of ordinary shares in issue (thousands)	**628,784**	628,784
Basic earnings/(losses) per share (RMB per share)		
— Continuing operations	**0.10**	0.14
— Discontinued operations	**0.01**	(0.02)

In both 2014 and 2013, 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.

8. DIVIDENDS

The Board has resolved to recommend the payment of a final dividend for the year ended 31 December 2014 wholly in scrip form equivalent to HKD0.03 (2013: nil) per share to shareholders whose names appear on the register of members of the Company on 20 May 2015.

9. TRADE AND OTHER RECEIVABLES

	Note	**2014**	2013
Trade receivables	*(a)*	**157,991**	171,430
Less: provision for impairment		**(18,546)**	(11,373)
Trade receivables — net		**139,445**	160,057
Bills receivable	*(b)*	**79,102**	61,826
Prepayments		**22,413**	16,386
Advances to staff		**4,410**	2,528
Staff benefit payments		**3,043**	8,524
Deposits for land use rights		**20,000**	—
Other receivables		**2,386**	197
		270,799	249,518

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

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

	2014	2013
Up to 3 months	**114,210**	113,707
3 to 6 months	**15,671**	42,014
6 to 12 months	**9,443**	4,336
Over 12 months	**18,667**	11,373
	157,991	171,430

(b) **Bills receivable**

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

	2014	2013
Up to 90 days	**28,745**	27,730
91 days to 180 days	**50,357**	34,096
	79,102	61,826

10. TRADE AND OTHER PAYABLES

	Note	**2014**	2013
Trade payables	*(a)*	**75,996**	61,523
Other taxes payable		**4,390**	144
Accrued expenses		**7,368**	6,438
Salaries payable		**20,189**	19,904
Other payables		**6,697**	33,748
		114,640	121,757

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

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

	2014	2013
Up to 3 months	**70,102**	56,113
3 to 6 months	**2,613**	2,186
6 to 12 months	**25**	54
Over 12 months	**3,256**	3,170
	75,996	61,523

11. DEFERRED INCOME TAX

	2014	2013
Deferred tax assets:		
— to be recovered after more than 12 months	**757**	2,120
— to be recovered within 12 months	**7,096**	9,438
	7,853	11,558

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

	2014	2013
At 1 January	**11,558**	(4,992)
(Charged)/credited to consolidated income statement	**(3,705)**	4,996
Transferred to disposal group classified as held for sale *(Note 6)*	**—**	11,554
At 31 December	**7,853**	11,558

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the research and development, trading, manufacturing and selling of extracts, 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.

The PRC economy grew at its slowest pace in twenty four years in 2014 recording an annual GDP growth of 7.4%, continuing to ease from GDP growth of 7.7% in 2013. The economy has entered a state of new normal as the PRC central government would tolerate a more moderate expansion for economic quality and efficiency than fast expansion of extensive economic growth at the expense of natural resources and environment in the past so to deepen the structural economic and financial reforms brought forth by the central government in 2013.

In view of the changes in market environment and economic development, the Group has adjusted its business strategy and entered a new stage of development in 2014 to adapt to the new normal of the PRC economy.

For the year ended 31 December 2014, the Group recorded revenue of RMB725.5 million, down 13% from RMB833.7 million for 2013. The revenue decrease was attributable to the completion of the Group's divestment in its upstream extracts segment on 28 February 2014 through the disposal of the Group's 50% interest in the issued share capital of Universal Fragrances Company Limited which in turn holds the entire share capital of Wutong Aroma Chemical Company Limited ("Disposal Group"), the operating arm of the Group's extracts business. Upon completion of the disposal, the Disposal Group is no longer subsidiary of the Company. As such, the financial results of the two months ended 28 February 2014 of the Disposal Group were accounted for as discontinued operations in the financial statements for the year ended 31 December 2014. Profit attributable to owners of the Company for the year amounted to approximately RMB68.2 million, 9.2% lower from RMB75.1 million of 2013. The net profit margin of the Group for the year edged up to 9.6% from 9.3% of last year. The decrease in profit attributable to owners of the Company and the net profit was mainly because of increased research expenditures, increased tax expenses following changes in certain tax rate and deferred tax provision, and increased provision for impairment of trade receivables in the year.

In the year, the Group has allocated more resources for continuous research development and innovation of new products. New research projects were started in collaboration with external technology companies in the year. New research projects include, in particular, research of synthesis of a fine natural fragrance for high-end tobacco and chemical synthesis of two raw tobacco aroma precursors for the Group's flavor enhancers, a study of food flavours of slow release for chewing gum, candies for the Group's food flavours and production research of a spice raw material for additives on cosmetics and preservation of food of biological oxidative effect and of active ingredient of moisturizing properties for cosmetics. Such research projects incurred substantial additional expenditure for the year.

The Group has transformed its long term business strategy in the year for segregating its fine fragrances, food flavours including savory flavours, and international business, by embarking on a major project of entering into various business agreements in connection of the set-up of a new joint-venture company, Dongguan Boton which constituted connected and continuing connected transactions of the Company in accordance with the Listing Rules. The transactions can be referred to the Company's announcements dated 6 November 2014 and 19 November 2014 and the Company's circular dated 4 December 2014 and will be briefly summarized under the "Directors' Interests in Contracts of Significance and Connected Transactions" in the Directors' Report of the forthcoming 2014 Annual Report of the Company. An extraordinary general meeting of the Company was held on 19 December 2014 and all those transactions have been approved by the independent shareholders of the Company in the meeting. Completion, subject to certain conditions precedent, was achieved on 31 December 2014. Through Dongguan Boton, the Group has acquired a piece of land in Dongguan (the "Land") for construction of a new factory for the production of food flavours and fine fragrances with plan of target completion by the end of 2015 for production to begin in early 2016.

Continuing operations

Revenue

The Group's three business segments of flavor enhancers, food flavors and fine fragrances together (the continuing operations) recorded total revenue of approximately RMB702.7 million in 2014, up 2.2% from approximately RMB687.5 million in 2013.

Flavor enhancers

The revenue of flavor enhancers amounted to approximately RMB416.1 million for the year ended 31 December 2014 (2013: RMB384.6 million), up 8.2% year-on-year basis. The increase in revenue was attributable to the continuous success of different pricing strategies on different products, in particular, those elastic ones to grow sales with existing customers.

Food flavors

The food flavors segment recorded revenue of approximately RMB152.8 million for the year ended 31 December 2014 (2013: RMB172.2 million), down 11.3% year-on-year basis. The decrease in revenue was attributable to reduced orders from a big South-eastern customer due to political trade matters between its own country with China and some domestic customers of household names which original demands on the Group's products shrank because of either changes in their own products or decrease of their own market share from tight market competition.

Fine fragrances

The fine fragrances segment had steady growth throughout the year and recorded revenue of RMB133.8 million for the year ended 31 December 2014 (2013: RMB130.8 million), up 2.3% year-on-year basis. The growth was attributable to higher sales volume and higher selling prices driven by market demand for the Group's quality products of fine fragrances.

Gross Profit

The continuing operations recorded gross profit of approximately RMB336.0 million for the year ended 31 December 2014 (2013: RMB334.1 million), up slightly by 0.6% because of some higher costs of certain imported raw materials due to softer Renminbi in the year. As a result, the gross profit margin was down slightly to 47.8% in 2014 from 48.6% in 2013.

Expenses

Selling and marketing expenses

Selling and marketing expenses of the continuing operations amounted to approximately RMB126.5 million for the year ended 31 December 2014 (2013: RMB131.8 million) representing approximately 18.0% to revenue of the year versus 19.2% to revenue in 2013. Such improvement was mainly attributable to decrease in design fees, full year advertising costs and sales commission to agents of flavour enhancers.

Administrative expenses

Administrative expenses of the continuing operations amounted to approximately RMB127.3 million for the year ended 31 December 2014 (2013: RMB104.7 million) representing approximately 18.1% to revenue of the year versus 15.2% to revenue in 2013. The increase in these expenses was mainly attributable to additional research expenditures of new research projects commenced in the year, additional provision for impairment of trade receivables and office expenses while partly offset by reduction in staff expenses due to restructure of human resources.

Finance income-net

Finance income-net of the continuing operations amounted to approximately RMB1.8 million for the year ended 31 December 2014 (2013: RMB2.1 million). The decrease was mainly attributable to lower interest income because less funds were placed on fixed short-term bank deposits during the year.

Net Profit

Profit for the year ended 31 December 2014 from continuing operations amounted to approximately RMB65.1 million (2013: RMB85.1 million). The decrease was mainly attributable to the growth rate of administrative expenses which was relatively higher than the growth rate of revenue in the year and in addition, the increase in income tax expenses of the year because of the effect on deferred income tax as a result of change of expected tax rate.

Discontinued operations

The discontinued extracts segment recorded a turnover of approximately RMB22.8 million for the two months ended 28 February 2014. The operating net profit amounted to approximately RMB2.9 million for the same period. The net profit for the period amounted to approximately RMB4.2 million after taking into account of the actual gain realized on the disposal.

FUTURE PLANS AND PROSPECTS

Following the completion of the Dongguan Boton transactions, Shenzhen Boton shall focus on the flavor enhancers business and cease its business in relation to food flavors and fine fragrances which shall be taken up by Dongguan Boton at the beginning of 2015. In other words, the Group has reorganized its business and production structure for the long term sustainable development of the Company. 2015 shall be a breakthrough year for the Group, a turning page of the Group's new business strategy for the next decade of its corporate history. It will be a year full of challenges and requires a lot of our hard work to implement the Group's strategic plan, to execute the Dongguan Boton project according to the tight project schedule. The Group is committed in achieving excellences in research and development, product innovation and product safety and quality as well as providing unique business solutions to customers to add value to their products for mutual benefit. In the meantime, construction of the office building and the research building in the Shenzhen Boton Science and Technology Park is expected to be completed on or before the first half of 2015. At the other end, the Group shall work hard on the Dongguan Boton project according to plan. The Group is confident of the long term growth of the PRC economy and the flavours and fragrances industry, yet it shall remain cautious of the PRC economy near term. Recent release of economic indicators shows continuous signs of slowdown in the domestic economy in 2015. The PRC central government has announced a growth target of around 7% for GDP growth in 2015, recognizing that the downward pressure on the PRC economy is intensifying. However, the government will go on to deepen the structural reforms on the economy and its anti-graft campaign. The PRC central government would like to see the economy to grow steady and maintain medium-to-high speed of growth instead of fast speed growth in the past for a higher quality of development in the long run. Under the circumstances, the economy shall continue to feel the ripple effect of such transitional stage. On the other hand, the Chinese leaders advocate "One Belt, One Road Initiatives" (the Silk Road Economic Belt and the 21st Century Maritime Silk Road") to improve economic co-operation, increase synergies, cultivate new growth areas across the region where the One Belt One Road Initiatives shall run through. Accomplishing that shall help create and drive market demands for Chinese goods and services thus bringing opportunities and momentum to the domestic economy, benefitting the society as a whole in the long run.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2014, the net current assets of the Group amounted to approximately RMB340.8 million (2013: RMB568.0 million). The cash and bank deposits of the Group amounted to RMB148.0 million (2013: RMB179.7 million). The decrease in cash and bank deposits by the end of 2014 was mainly attributable to the capital expenditures of the construction of the Group's new production base, office building and R&D building. The current ratio of the Group was approximately 3.0 (2013: 3.6).

Total equity of the Group as at 31 December 2014 was approximately RMB1,184.9 million (2013: RMB1,146.5 million). As at 31 December 2014, the Group had bank borrowings of RMB30 million (2013: nil) therefore debt gearing ratio of 2.5% (total borrowings over total equity) (2013: nil). The bank borrowing was a one-year loan of interest rate of 6.72% per annum, unsecured, due for repayment in December 2015.

The Group adopts a prudent approach in its financial management and has maintained a stable and healthy financial position throughout the year as indicated in the above figures.

Financing

The Board considers that the existing financial resources together with funds generated from business operations will be sufficient to meet future expansion plans and, if necessary, the Group believes that it will be able to obtain additional financing with favourable terms.

Capital Structure

The share capital of the Company comprises ordinary shares for the year ended 31 December 2014.

Foreign Exchange Risk and Interest Rate Risk

The Group had net exchange gain of RMB 0.6 million in 2014 (2013: RMB1.2 million net exchange loss). The Group mainly operates in the PRC and most of its transactions are dominated 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.

As at 31 December 2014, the Group had bank borrowings of RMB30 million which was a one-year loan of interest rate of 6.72% per annum, unsecured, due for repayment in December 2015. Should the Group require additional borrowing in future, it would most likely be bank borrowings denominated in Renminbi and at variable interest rate with reference to The People's Bank of China Prescribed Interest Rate.

The Board is of the opinion that the Group is not subject to any significant foreign exchange risk and interest rate risk.

Capital Expenditure

During the year under review, the Group invested approximately RMB297.8 million (2013: RMB138.1 million) in fixed assets, of which RMB2.0 million (2013: RMB2.8 million) was used for the purchase of plant and machinery.

For the year ended 31 December 2014, the Group had capital commitments of approximately RMB84.9 million (2013: RMB17.8 million) in respect of fixed assets, which shall be funded by internal resources.

Charge On Group's Assets

As at 31 December 2014, the Group did not have any pledge or charge on assets (2013: nil).

STAFF POLICY

The Group had 506 employees in the PRC and 9 employees in Hong Kong as at 31 December 2014. The Group offers a comprehensive and competitive remuneration, retirement schemes, a share option scheme 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 in compliance with the rules and make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are also required to make contribution to fund the endowment insurance and unemployment insurance at 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 2014, the Group does not have material investment save for the following investments in plants: (i) the new production plant of Shenzhen Boton which is located at Nanshan Shuguang Cang Chu Qu Zong Di No.T505-0059 (南山曙光倉儲區宗地 No.T505-0059) in Shenzhen, Guangdong Province, the PRC, amounting to approximately RMB633.2 million, and (ii) the construction of a new factory of Dongguan Boton which is located at Dajin Road (a portion of a land parcel numbered 441916005002GB02022), Dajin Industrial Park, Liaobu Town, Dongguan City, Guangdong Province, the PRC, amounting to approximately RMB1.1 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 2014 wholly in scrip form equivalent to HK$0.03 (2013: nil) per share to shareholders whose names appear on the register of members of the Company on 20 May 2015.

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 14 May 2015 to 20 May 2015.

Subject to (i) the approval of the Company's shareholders at the forthcoming annual general meeting to be held on 8 May 2015; 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 10 June 2015.

A circular containing, *inter alia*, full details of the scrip dividend scheme will be sent to shareholders on or about 2 April 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 May 2015 to 20 May 2015, 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 on Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 14 May 2015.

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.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with all the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2014, except for deviation from code provision A.2.1. In accordance with the CG Code A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual to ensure a balance of power and authority. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Board considers that the present structure is more suitable for the Company for it provides strong and consistent leadership in the planning and execution of long-term business plans and strategies of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the effectiveness of its internal control system during the year under review including the audited annual financial statements of the Group for the year ended 31 December 2014. The Audit Committee is consisted of the three independent non-executive directors of the Company.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the results announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding securities transactions by the directors. Having made specific enquiry, all directors confirmed their compliance with the required standard set out in the Model Code during the year ended 31 December 2014.

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
China Flavors & Fragrances Co., Ltd.
Wang Ming Fan
Chairman

Hong Kong, 20 March 2015

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