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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board of Directors (the "Board" or "Directors") of China Flavors and Fragrances Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015 together with the unaudited comparative figures for the corresponding period in 2014. These unaudited interim financial statements have been reviewed by the Company's Audit Committee.

INTERIM CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	**30 June 2015 (Unaudited)**	31 December 2014 (Audited)
ASSETS			
Non-current assets			
Land use rights	*7*	**90,603**	52,656
Property, plant and equipment	*7*	**870,934**	773,304
Intangible assets	*7*	**453**	—
Available-for-sale financial assets		**—**	25,179
Deferred income tax assets		**7,300**	7,853
Total non-current assets		**969,290**	858,992
Current assets			
Inventories		**92,508**	90,076
Trade and other receivables	*8*	**250,396**	270,799
Cash		**162,978**	148,016
Total current assets		**505,882**	508,891
Total assets		**1,475,172**	1,367,883
EQUITY			
Attributable to equity holders of the Company			
Share capital	*9*	**65,083**	61,878
Share premium		**462,123**	433,779
Other reserves		**153,015**	122,116
Retained earnings		**557,747**	527,554
		1,237,968	1,145,327
Non–controlling interests		**50,734**	39,596
Total equity		**1,288,702**	1,184,923

	Note	30 June 2015 (Unaudited)	31 December 2014 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**20,821**	—
Deferred government grants		**14,767**	14,887
Total non-current liabilities		**35,588**	14,887
Current liabilities			
Trade and other payables	*10*	**92,239**	114,640
Current income tax liabilities		**28,643**	23,433
Borrowings		**30,000**	30,000
Total current liabilities		**150,882**	168,073
Total liabilities		**186,470**	182,960
Total equity and liabilities		**1,475,172**	1,367,883
Net current assets		**355,000**	340,818
Total assets less current liabilities		**1,324,290**	1,199,810

INTERIM CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

		(Unaudited) Six months ended 30 June	
	Note	**2015**	2014
Continuing operations			
Revenue	*11*	**342,029**	334,642
Cost of sales	*12*	**(175,944)**	(170,042)
Gross profit		**166,085**	164,600
Selling and marketing expenses	*12*	**(51,692)**	(59,621)
Administrative expenses	*12*	**(86,059)**	(55,976)
Other income and other gains	*11*	**28,052**	432
Operating profit		**56,386**	49,435
Finance income — net	*13*	**310**	1,938
Profit before income tax		**56,696**	51,373
Income tax charge	*14*	**(14,446)**	(9,278)
Profit for the period from continuing operations		**42,250**	42,095
Discontinued operations			
Profit for the period from discontinued operations		**—**	4,185
Profit for the period		**42,250**	46,280
Attributable to:			
Owners of the Company		**31,112**	44,839
Non–controlling interests		**11,138**	1,441
		42,250	46,280

	Note	(Unaudited) Six months ended 30 June 2015	2014
Profit attributable to owners of the Company arises from:			
Continuing operations		**31,112**	42,095
Discontinued operations		**—**	2,744
		31,112	44,839
Earnings per share for profit attributable to owners of the Company for the period			
(expressed in RMB per share)			
— Basic			
From continuing operations	*15*	**0.05**	0.07
From discontinued operations		**—**	—
		0.05	0.07
— Diluted			
From continuing operations		**0.05**	0.07
From discontinued operations		**—**	—
		0.05	0.07

Information of dividends to equity holders of the Company is set out in Note 16.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	(Unaudited) Six months ended 30 June	
	2015	2014
Profit for the period	**42,250**	46,280
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Reclassification of fair value losses to consolidated statement of comprehensive income upon disposals of available-for-sale financial assets	**821**	—
Fair value gains on available–for–sale financial assets	**—**	6,078
	821	6,078
Total comprehensive income for the period	**43,071**	52,358
Attributable to:		
Owners of the Company	**31,933**	50,917
Non–controlling interests	**11,138**	1,441
Total comprehensive income for the period	**43,071**	52,358
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	**31,933**	48,173
Discontinued operations	**—**	2,744
	31,933	50,917

Notes:

1. GENERAL INFORMATION

China Flavors and Fragrances Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in trading, manufacturing and selling of extracts, 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 Town, 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 unaudited interim consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

These unaudited interim consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 21 August 2015.

These interim consolidated financial statements have not been audited.

2. BASIS OF PREPARATION

These unaudited interim consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The unaudited interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

None of the new amendments to standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2015 have impact on the Group.

3. **ACCOUNTING POLICIES (continued)**

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted

		Effective for accounting periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 11 (amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
HKAS 16 and HKAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (amendments)	Agriculture: bearer plants	1 January 2016
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27 (amendments)	Equity method in separate financial statements	1 January 2016
HKFRS 10, HKFRS12 and HKAS 28 (amendments)	Investment entities: applying the consolidation exception	1 January 2016
HKAS 1 (amendment)	Disclosure initiative	1 January 2016
Annual improvements 2014		1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

The Group did not early adopt any of these new or revised HKASs and HKFRSs, amendments and interpretation to existing HKASs and HKFRSs. Management is currently assessing the financial impact of these revisions to the Group's financial position and performance.

4. **ESTIMATES**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014, except for accounting estimates and assumptions related to recognition of share option expenses.

Recognition of share option expenses

The Company has granted share options. The Group uses the Binomial valuation model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as the risk free interest rate, dividend yield, expected volatility and staff annual retention rate, is required to be made by the directors in applying the Binomial valuation model.

5. **FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risk: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

5. **FINANCIAL RISK MANAGEMENT (continued)**

The interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

6. **REVENUE AND SEGMENT INFORMATION**

The Group considers the business from product perspective. The Group is organised into three segments: flavors enhancers, food flavors and fine fragrances.

The Group assesses the performance of the segments based on the profit before income tax.

The segment information for the six months ended 30 June 2015 is presented below.

	Flavor enhancers	**Food flavors**	**Fine fragrances**	**Unallocated**	**Total**
Segment revenue	**212,233**	**70,086**	**59,782**	**—**	**342,101**
Inter-segment revenue	**—**	**—**	**(72)**	**—**	**(72)**
Revenue from external customers	**212,233**	**70,086**	**59,710**	**—**	**342,029**
Operating profit/(loss)	**42,103**	**16,902**	**2,199**	**(4,818)**	**56,386**
Finance income	**—**	**—**	**—**	**316**	**316**
Finance costs	**—**	**—**	**—**	**(6)**	**(6)**
Finance income — net	**—**	**—**	**—**	**310**	**310**
Profit/(loss) before income tax	**42,103**	**16,902**	**2,199**	**(4,508)**	**56,696**
Income tax expense	**(9,050)**	**(4,372)**	**(1,024)**	**—**	**(14,446)**
Profit/(loss) for the period	**33,053**	**12,530**	**1,175**	**(4,508)**	**42,250**
Depreciation and amortisation	**5,705**	**2,427**	**1,868**	**—**	**10,000**
Provision for doubtful trade and other receivables	**—**	**408**	**4,053**	**—**	**4,461**
Reversal of provision for write-down of inventories	**—**	**—**	**(132)**	**—**	**(132)**

The segment information for the six months ended 30 June 2014 is presented below.

	Continuing Operations					Discontinued Operations		
	Flavor enhancers	Food flavors	Fine fragrances	Unallocated	Total segments	Extracts	Unallocated	Total
Segment revenue	198,070	75,399	61,525	—	334,994	22,919	—	357,913
Inter–segment revenue	—	—	(352)	—	(352)	(144)	—	(496)
Revenue from external customers	198,070	75,399	61,173	—	334,642	22,775	—	357,417
Operating profit/(loss)	43,816	7,804	626	(2,811)	49,435	3,379	11	52,825
Finance income	—	—	—	712	712	—	—	712
Finance costs	—	—	—	1,226	1,226	347	(27)	1,546
Finance income — net	—	—	—	1,938	1,938	347	(27)	2,258
Profit/(loss) before income tax	43,816	7,804	626	(873)	51,373	3,726	(16)	55,083
Gain on disposal of subsidiaries	—	—	—	—	—	—	1,302	1,302
Income tax expense	(7,722)	(1,399)	(157)	—	(9,278)	(827)	—	(10,105)
Profit/(loss) for the period	36,094	6,405	469	(873)	42,095	2,899	1,286	46,280
Depreciation and amortisation	3,630	1,283	723	—	5,636	—	—	5,636
Provision/(reversal of provision) for doubtful trade and other receivables	—	—	25	—	25	(120)	—	(95)
Reversal of provision for write–down of inventories	—	—	—	—	—	(25)	—	(25)

7. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment	Land use rights	Intangible assets
Six months ended 30 June 2015			
Opening net book amount as at 1 January 2015	**773,304**	**52,656**	**—**
Additions	**106,648**	**38,963**	**453**
Disposals	**(34)**	**—**	**—**
Depreciation and amortisation	**(8,984)**	**(1,016)**	**—**
Closing net book amount as at 30 June 2015	**870,934**	**90,603**	**453**
Six months ended 30 June 2014			
Opening net book amount as at 1 January 2014	501,010	54,004	—
Additions	111,632	—	—
Disposals	(75)	—	—
Depreciation and amortisation	(4,915)	(721)	—
Closing net book amount as at 30 June 2014	607,652	53,283	—

There was no pledge of any of the Group's property, plant and equipment, land use rights and intangible assets as at 30 June 2015.

8. TRADE AND OTHER RECEIVABLES

		As at	
	Note	**30 June 2015**	31 December 2014
Trade receivables	*(b)*	**225,271**	157,991
Less: provision for impairment		**(23,007)**	(18,546)
Trade receivables — net		**202,264**	139,445
Bills receivable	*(c)*	**11,894**	79,102
Prepayments		**23,994**	22,413
Advances to staff		**3,040**	4,410
Staff benefit payments		**4,527**	3,043
Deposits for land use rights		**—**	20,000
Other receivables		**4,677**	2,386
		250,396	270,799

(a) The carrying amounts of trade and other receivables approximate their fair value.

8. TRADE AND OTHER RECEIVABLES (continued)

(b) 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:

	As at	
	30 June 2015	31 December 2014
Up to 3 months	**133,898**	114,210
3 to 6 months	**46,044**	15,671
6 to 12 months	**22,121**	9,443
Over 12 months	**23,208**	18,667
	225,271	157,991

(c) Bills receivable are with maturity between 30 and 180 days.

9. SHARE CAPITAL

Movements of the share capital are as follows:

	Note	**Authorised**	
		Number of shares ('000) (of HK$0.1 each)	*RMB'000*
As at 30 June 2015 and 2014 and 31 December 2014 and 2013		**800,000**	83,200

	Note	**Issued and fully paid**	
		Number of shares ('000) (of HK$0.1 each)	*RMB'000*
As at 31 December 2014 and 2013 and 30 June 2014		**628,784**	61,878
Proceeds from shares issued in accordance with share option scheme	*(b)*	**28,975**	2,286
Issue of shares — final scrip dividends	*(c)*	**11,644**	919
As at 30 June 2015		**669,403**	65,083

Notes:

(a) All shares issued have the same rights as the other shares in issue.

9. SHARE CAPITAL (continued)

(b) On 22 April 2015, 58,000,000 share options with an exercise price of HK$1.34 per share of the Company were granted to five grantees consisted of certain directors of the Company, a selected employee of the Group and an eligible participant in accordance with the Company's Share Option Scheme adopted on 25 November 2005 (2014 interim: nil) with various vesting scale and terms. A total of 28,974,900 share options were subsequently exercised by the subject five grantees and a total of 28,974,900 shares of the Company were issued as follows: 4,500,000 shares on 9 June 2015, 4,974,900 shares on 10 June 2015 and 19,500,000 shares on 15 June 2015.

(c) The final scrip dividend of HK$0.03 per share for the year ended 31 December 2014 was made on 10 June 2015 with the issuance of 11,644,112 shares of the Company by way of capitalisation of distributable reserves of the Company.

10. TRADE AND OTHER PAYABLES

	Note	**As at 30 June 2015**	As at 31 December 2014
Trade payables	*(a)*	**55,461**	75,996
Other taxes payable		**11,601**	4,390
Accrued expenses		**8,850**	7,368
Salaries payable		**7,051**	20,189
Other payables		**9,276**	6,697
		92,239	114,640

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

	As at 30 June 2015	As at 31 December 2014
Up to 3 months	**40,983**	70,102
3 to 6 months	**11,341**	2,613
6 to 12 months	**294**	25
Over 12 months	**2,843**	3,256
	55,461	75,996

11. REVENUE AND OTHER INCOME AND OTHER GAINS

The Group is principally engaged in trading, manufacturing and selling of extracts, flavors and fragrances. Turnover consists of sales of extracts, flavors and fragrances. Revenue and other income and other gains recognised for the six months ended 30 June 2015 are as follows:

	Six months ended 30 June	
	2015	2014
Revenue		
Sales of goods	**342,029**	334,642
Other gains		
Gains from disposals of available-for-sale financial assets	**27,640**	—
Other income		
Others	**412**	432
	28,052	432

12. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2015	2014
Depreciation and amortisation	**10,000**	5,636
Employee benefit expenses, excluding amount included in research and development and share option expenses	**34,103**	37,159
Changes in inventories of finished goods and work in progress	**4,662**	6,054
Raw materials used	**154,830**	152,981
Reversal of provision for write-down of inventories	**(132)**	—
Provision for impairment of trade and other receivables	**4,461**	—
Lease expenses	**2,226**	2,064
Transportation	**7,878**	9,458
Advertising cost	**8,071**	12,138
Research and development		
— Employee benefit expenses	**5,364**	6,158
— Others	**11,795**	11,264
Sales commission	**19,646**	15,714
Share options expenses	**30,078**	—
Other expenses	**20,713**	27,013
Total	**313,695**	285,639

13. FINANCE INCOME — NET

	Six months ended 30 June	
	2015	2014
Finance income		
— Interest income	**316**	712
— Exchange gains	**1,208**	1,226
	1,524	1,938
Finance cost		
— Interest expense		
Bank borrowings	**(1,214)**	—
Finance income — net	**310**	1,938

14. INCOME TAX CHARGE

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

	Six months ended 30 June	
	2015	2014
Current taxation:		
— PRC income tax	**13,893**	9,987
Deferred Income tax related to the temporary differences	**553**	(709)
	14,446	9,278

(a) No provision for profits tax in the British Virgin Islands, the Cayman Islands and Hong Kong was made as the Group has no income assessable for profits tax for the six months period ended 30 June 2015 in those 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 Spice Co., Ltd., a subsidiary of the Group, is qualified as High/New Technology Enterprises, and accordingly it is entitled to the preferential rate of 15% for the years from 2014 to 2016.

14. INCOME TAX CHARGE (continued)

(c) The tax charge 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 relevant subsidiary of the Group, as below:

	Six months ended 30 June	
	2015	2014
Profit before taxation	**56,696**	51,373
Tax calculated at a tax rate of 15% (2014: 15%)	**8,504**	7,706
Effect of different tax rates available to different companies of the Group	**3,144**	—
Tax losses not recognised	**468**	133
Expenses not deductible for tax purposes	**2,330**	1,439
Taxation charge	**14,446**	9,278

15. EARNINGS PER SHARE

(a) Basic

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

		Six months ended 30 June	
	Note	**2015**	2014
Profit attributable to equity holders of the Company		**31,112**	44,839
Weighted average number of ordinary shares in issue (thousand shares)	*(i)*	**632,983**	640,428
Basic earnings per share (RMB per share)		**0.05**	0.07

(i) Weighted average number of ordinary shares in issue in 2015 and 2014 has been adjusted for the scrip dividends issued in 2015.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market share price of the Company's shares) for the same amount of proceeds are share issues for no consideration which causes dilution to earnings per share. During the period under review, the outstanding share options do not have any material dilutive impact. Therefore, the diluted earnings per share of the Company approximates the basic earnings per share.

16. DIVIDENDS

The Board does not recommend payment of interim dividend for the six months ended 30 June 2015 (2014: nil).

17. CONTINGENT LIABILITIES

The Group has no contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from contingent liabilities.

18. COMMITMENTS

(a) Capital commitments

Capital expenditure of the Group at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2015	31 December 2014
Property, plant and equipment contracted but not provided for	**64,963**	84,893

(b) Operating lease commitments

The Group leases various plant, offices and motor vehicles under non–cancellable operating lease agreements. The future aggregate minimum lease payments under non–cancellable operating leases are as follows:

	As at	
	30 June 2015	31 December 2014
Not later than one year	**94**	657

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

Saved as disclosed, there was no significant transaction with related parties during the six months ended 30 June 2015 (2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

Overview

The PRC economy slowed down further in the 1st half of 2015 with a GDP growth rate of 7% for the period after the annual GDP growth rate of 7.4% in 2014. Nevertheless, it has reached the government target of around 7% set in March of this year as the central government is determined to push forward structural reforms to steer the economy into "new normal" of China, that is, slower but sustainable growth with driving force from stronger domestic consumer demand than capital investments and export demand as it used to be in the past. The central government also advocates technological innovation by business enterprises to push the Chinese economy to higher level.

The Group, like the PRC economy entering into new normal, has entered into a new phase of its corporate development. The implementation of the Company's project of Dongguan Boton Flavors and Fragrances Company Limited (the "Dongguan Boton project") has taken off at the beginning of 2015. Since the start of the year, the Group's flavor enhancers business has been handled by Shenzhen Boton Spice Company Limited ("Shenzhen Boton") while the food flavors and fine fragrances businesses have been conducted by Dongguan Boton. Construction plan of a new factory in Dongguan for Dongguan Boton has been formulated for construction work to start in the second half of the year. In the meantime construction of the office building and the R&D building located in the Shenzhen Boton Science and Technology Park, Shenzhen, has been completed in the period under review and interior renovation has since begun. The Group has integrated its selling strategies this year into "focusing on big customers over minor ones" and reformulated its customer structure for greater market penetration and business growth. The Group has taken hold of the opportunity and realized its financial investments in China Ludao Technology Company Limited from the rising Hong Kong stock market in early May this year and recorded a handsome gain as other gains in the period under review.

Business Review

Turnover

The Group recorded a total turnover of approximately RMB342.0 million in the six months ended 30 June 2015, up 2.2% from approximately RMB334.6 million in the corresponding period in 2014 with different performance among its different business segments under the macro-economic environment which is basically very challenging for business and intensifies market competition.

Flavor enhancers

Turnover of flavor enhancers went up to approximately RMB212.2 million in the period under review, up 7.1% from approximately RMB198.1 million in the corresponding period in 2014. The increase was attributable to the success of the Group's pioneer research in extracts of some fine fragrances for high-end tobacco which gained market recognition and drove up sales.

Food flavors

Rapidly changing consumer tastes and craving of new products in the new age aggravated an already slowdown and very competitive market. This exerted great pressure on the Group's customers of their manufactured consumer products. It impacted the Group's food flavors segment which recorded a turnover of approximately RMB70.1 million in the period under review, down 7.0% from approximately RMB75.4 million in the corresponding period in 2014.

Fine fragrances

The pursuit of the Group's selling strategies and restructuring customers has inevitably phrased out some of the Group's smaller to medium size customers. As a result, the fine fragrances segment recorded a turnover of approximately RMB59.7 million in the period under review, down 2.5% from approximately RMB61.2 million in the corresponding period in 2014.

Gross Profit

The Group recorded gross profit of approximately RMB166.1 million, up 0.9% for the six months ended 30 June 2015 (2014: RMB164.6 million) and the gross profit margin was approximately 48.6% (2014: 49.2%). The gross profit margin eased slightly in the period under review because of higher depreciation charges in the period.

Net Profit

The Group's net profit for the six months ended 30 June 2015 was approximately RMB42.3 million (2014: RMB46.3 million), 8.6% lower than the corresponding period in 2014. The decrease was due to no more contribution from discontinued operations as it was in the corresponding period of last year. Excluding that contribution, there was no material change in the Group's net profit of the three business segments for the 1st half of 2015 from approximately RMB42.1 million of the same three segments which were classified as continuing operations in the corresponding period of last year. Net profit margin for the six months ended 30 June 2015 maintained at the same 12% level to approximately 12.4% (2014: 12.6% (continuing operations)).

Expenses

Selling and marketing expenses amounted to approximately RMB51.7 million for the six months ended 30 June 2015 (2014: RMB59.6 million), representing approximately 15.1% (2014: 17.8%) of the turnover of the period. The decrease in percentage of such expenses to turnover was mainly attributable to the reformulated selling strategies and restructuring customers, by following that, there were more efficient allocation of sales resources towards more profitable customers and business transactions including reduction in sales expenses over phrased out customers. There were therefore decreases across some sales-related expenses such as sales travelling expenses, direct sales advertising costs, conference expenses, transportation expenses as well as sales salary expenses while remuneration in form of sales commission increased in commensurate with the increase of sales through the relevant sales personnel in the period.

Administrative expenses amounted to approximately RMB86.1 million for the six months ended 30 June 2015 (2014: RMB56.0 million), representing approximately 25.2% (2014: 16.7%) of the turnover of the period. The increase was mainly attributable to the recognition of expenses in connection of the grant of share options and a provision for impairment of trade receivables in the period while there were main decreases in other expenses which included reduced amounts in consultancy fees, conference expenditure, office expenditure in the period.

Net finance income amounted to approximately RMB0.3 million for the six months ended 30 June 2015 (2014: RMB1.9 million). The decease was mainly due to bank borrowing costs in the period.

Future Plans and Prospects

The second half of 2015 appears to be as equally challenging as in the first half of the year. More policy measures are expected from the PRC central government to help the economy to pick up in the coming quarters and to meet the around 7% domestic growth target for the whole year. The Group is unabated in its strive to seek steady and sustainable long term growth. Led by corporate goal, the Company shall proceed prudently in accordance with established corporate plan to keep the Dongguan Boton project on track with target of completing construction of the Dongguan factory next year. In respect of the Shenzhen Boton Science and Technology Park, the office building and the R&D building are expected to be ready for occupancy by the end of the year. Next phase of development of the park shall follow in due course. In the meantime the Company shall persist in its outstanding research and development capability to create more innovative products to meet new market trends catering for consumers seeking new tastes and carry on new selling strategies to focus on big core customers to penetrate into their product markets so creating demand for the Group's products to add value to their products. The Company keeps open to any business and investment opportunities to broaden its business horizon. The Company is confident of the long-term growth of the flavor and fragrance industry in view of the growing middle-class of the PRC population; with rising disposable household income, looking for better living standard and lifestyle. The Company also expects that with the onset of the "One Belt, One Road Initiatives" (the Silk Road Economic Belt and the 21st Century Maritime Silk Road) advocated by the PRC government, there shall be more 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 30 June 2015, the Group had net current assets of approximately RMB355.0 million (31 December 2014: RMB340.8 million). As at 30 June 2015, the Group's cash and bank deposits totalled approximately RMB163.0 million (31 December 2014: RMB148.0 million). The current ratio of the Group was approximately 3.4 as at 30 June 2015 (31 December 2014: 3.0).

The equity attributable to shareholders of the Company as at 30 June 2015 amounted to approximately RMB1,238.0 million (31 December 2014: RMB1,145.3 million). As at 30 June 2015, the Group had a total bank borrowings of RMB50.8 million (31 December 2014: RMB30 million) therefore debt gearing ratio of 3.9% (borrowings over total equity) (31 December 2014: 2.5%). During the period, apart from the existing one-year short-term bank loan of RMB30 million with interest rate of 6.72% per annum, the Group has taken an additional three-year long-term bank loan of approximately RMB20.8 million with interest rate of 6.6% per annum in connection of acquisition of fixed assets for Shenzhen Boton Science and Technology Park.

The Group adopts a prudent approach in its financial management and has maintained a stable and healthy financial position throughout the period under review as shown 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 capable of obtaining additional financing with favourable terms.

Capital Structure

The share capital of the Company comprised ordinary shares for the six months ended 30 June 2015.

Foreign Exchange Risk and Interest Rate Risk

The Group had net exchange gains of approximately RMB1.2 million for the six months ended 30 June 2015 (2014: RMB1.2 million); relatively unchanged in the period. The Group mainly operates in the PRC with most of its transactions denominated in RMB, hence, no financial instrument of hedging was employed because hedging cost is relatively high and the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 30 June 2015, the Group had a total bank borrowings of approximately RMB50.8 million. Should the Group require borrowings 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.

Charge on Group's Assets

As at 30 June 2015, the Group did not have any pledge or charge on assets (31 December 2014: nil).

Capital Expenditure

During the six months ended 30 June 2015, the Group invested approximately RMB99.1 million (2014: RMB118.0 million) in fixed assets, of which RMB4.7 million (2014: RMB2.3 million) was used for the purchase of machinery.

At 30 June 2015, the Group had capital commitments of RMB65.0 million (31 December 2014: RMB84.9 million) in respect of fixed assets, which are to be funded by internal resources.

Interim Dividend

The Board does not recommend payment of interim dividend for the six months ended 30 June 2015 (2014: nil).

Staff Policy

The Group had 534 employees in the PRC and 10 employees in Hong Kong as at 30 June 2015. 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 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 Fund Schemes Ordinance, for its employees in Hong Kong.

Material Investment

As at 30 June 2015, the Group had no material investment save for the following investments in plants: (i) the Shenzhen Boton Science and Technology Park 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, with cumulative total of approximately RMB733.3 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, with cumulative total of approximately RMB3.0 million.

Contingent Liabilities

At 30 June 2015, the Group had no contingent liabilities.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

Audit Committee

The committee was established with written terms of reference which has been adopted for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee (the "Committee") comprises three members, all being independent non-executive directors of the Company, namely, Mr. Ng Kwun Wan (Chairman), Mr. Leung Wai Man, Roger and Mr. Zhou Xiao Xiong. The Committee has reviewed the Group's unaudited interim consolidated financial statements for the six months ended 30 June 2015.

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. The committee comprises three independent non-executive directors of the Company, namely, Mr. Ng Kwun Wan (Chairman), Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and one executive director, Mr. Wang Ming Fan.

Nomination Committee

The committee reviews the structure, size and diversity (including but not limited to gender, age, cultural and educational background, or professional experience) of the Board from time to time and recommends to the Board on appointments of Directors and the succession plan for Directors. The committee comprises three independent non-executive directors of the Company, namely, Mr. Leung Wai Man, Roger (Chairman), Mr. Ng Kwun Wan, Mr. Zhou Xiao Xiong and one executive director, Mr. Wang Ming Fan.

Corporate Governance

The Board of the Company recognises the importance of and is committed to maintaining high standards of corporate governance so as to enhance corporate transparency and safeguard the interests of the Company and its shareholders, customers, staff and other stakeholders. It strives to maintain effective accountability systems through well-developed corporate policies and procedures, and internal systems and controls. The Company has complied with all the code provisions and, where applicable, adopted the recommended best practices, as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six-month period ended 30 June 2015, except code provision A.2.1.

Pursuant to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing, to ensure a balance of power and authority. Mr. Wang Ming Fan, who is an executive director and chief executive of the Company, is also the Chairman of the Company. 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.

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 its 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 six-month period ended 30 June 2015.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.chinaffl.com). The 2015 interim report containing all the information required by the Listing Rules will be dispatched to shareholders and will be published on the aforementioned websites in due course.

By order of the Board
Wang Ming Fan
Chairman

Hong Kong
21 August 2015

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